Annual Report
2022

baloise

Contents

Overview of the reporting environment

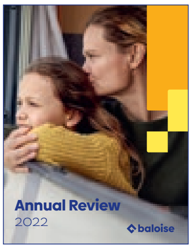
Overview of Baloise's external reporting

The external reporting procedures of the Baloise Group are based on relevant statutory and regulatory requirements and applicable standards and guidelines, such as those issued by the International Accounting Standards Board 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 approach. This approach is based on the integrated reporting framework (<IR> Framework) of the International Integrated Reporting Council (IIRC).

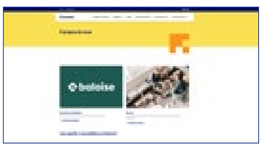
Reporting processes in detail

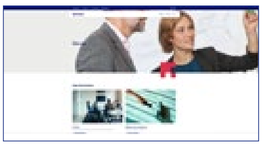
Baloise Annual Report
The Annual Report of the Baloise Group comprises the management review of the operating performance, the corporate governance report, the remuneration report and the financial report. The financial report contains the consolidated annual financial statements of the Baloise Group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

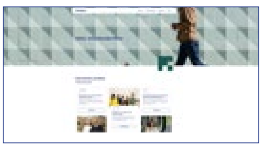


Baloise Annual Review
The review of the financial year of the Baloise Group provides an overview of important financial key figures as well as comprehensive information on non-financial disclosure. The report outlines the value creation of Baloise across the six resources of the value creation approach (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 a comprehensive view of Baloise's value creation.

Presentation for financial analysts
The presentation for financial analysts is specifically aimed at 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 organisations
In some cases, Baloise's national organisations 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 in
Belgium www.baloise.be/fr/a-propos-de-nous,
Germany www.baloise.de/de/ueber-uns and
Switzerland www.baloise.com/en/home/investors/publications/financial-condition-report.

Key figures

	2021	2022	Change (%)
CHF million			
Business volume			
Gross non-life premiums written	4,063.4	3,969.1	–2.3
Gross life premiums written	3,389.7	3,160.8	–6.8
Sub-total of IFRS gross premiums written [1]	7,453.1	7,130.0	–4.3
Investment-type premiums	2,138.0	1,631.0	–23.7
Total business volume	**9,591.1**	**8,760.9**	**–8.7**
Operating profit (loss)			
Profit/loss for the period before borrowing costs and taxes			
Non-life	303.9	321.7	5.9
Life [2]	406.7	376.7	–7.4
Asset Management & Banking	82.5	63.5	–23.0
Other activities	–70.5	–56.5	–19.9
Consolidated profit for the period	583.3	544.5	–6.7
Balance sheet			
Technical provisions	48,661.4	44,605.2	–8.3
Equity	7,299.9	4,552.1	–37.6
Ratios (per cent)			
Return on equity (RoE)	8.3	9.4	–
Gross non-life combined ratio	99.3	91.7	–
Net non-life combined ratio	92.6	91.9	–
New business margin (life, as percentage)	39.0	53.5	–
Investment performance (insurance) [3]	1.4	–8.1	–
New life insurance business			
Annual premium equivalent (APE)	340.5	243.6	–28.5
Value of new business	133.1	130.3	–2.1
Key figures on the Company's shares			
Shares issued (units)	45,800,000	45,800,000	0.0
Basic earnings per share [4] (CHF)	13.06	12.13	–7.1
Diluted earnings per share [4] (CHF)	13.05	12.12	–7.1
Equity per share [4] (CHF)	161.7	100.5	–37.8
Closing price (CHF)	149.10	142.70	–4.3
Market capitalisation (CHF million)	6,828.8	6,535.7	–4.3
Dividend per share [5] (CHF)	7.00	7.40	5.7

1 Premiums written and policy fees (gross).
2 Of which deferred gains/losses from other operating segments (31 December 2021: CHF –2.5 million; 31 December 2022: CHF –2.8 million).
3 Excluding investments for the account and at the risk of life insurance policyholders.
4 Calculation is based on the profit for the period attributable to shareholders and the equity attributable to shareholders.
5 2022 based on the proposal submitted to the Annual General Meeting.

Letter to shareholders

Dear shareholders,

Over the past financial year, we succeeded in building on the progress we had already achieved and, despite the challenging market environment, achieved healthy results with profit attributable to shareholders of CHF 548.0 million (2021: CHF 588.4 million). In local currency terms, Baloise generated growth in its target segments in 2022. The net combined ratio stood at 91.9 per cent, a testament to the high quality of our business. The expense ratio improved slightly, while the claims ratio was robust in a mixed environment for claims. Extreme weather events impacted results again in 2022, and war in Europe exacerbated what was already a difficult economic situation due to the effects of the coronavirus pandemic. The economic environment was also shaped by latent geopolitical risks. These factors are increasingly affecting national economies and are slowing sustainable growth in many countries. Supply shortages, inflation and interest rates are also having an impact on our business and on customer behaviour. In line with our objective of sustainable and forward-looking business management, we have also recognised reserves to cushion potential inflation effects.

Our capital position remains strong. We expect the SST ratio as at 1 January 2023 to be over 230 per cent, and in summer 2022 Standard & Poor's confirmed its rating for the Baloise Group's core companies of A+ with a stable outlook. Based on the high operational profitability and reliable cash generation, we intend to ask the Annual General Meeting to increase the dividend by CHF 0.40 to CHF 7.40. Over the past 20 years, we have continuously increased the dividend or at least kept it constant. This is almost unparalleled within the Swiss insurance industry and confirms Baloise as a reliable and attractive investment.

Our business model and strategy are designed for the long term. Measured by these targets, the first year of the new strategic phase got off to a satisfactory start, especially in light of the difficult environment. We generated CHF 471 million of our target of CHF 2 billion in cash in 2022, 9 per cent more than in 2021. We also attracted a total of 173,000 new customers. For our employee target, we introduced a new measuring method and a significantly expanded benchmark group in 2022. We are consistently among the top 35 per cent of the best employers in Europe. We achieved an excellent 79 per cent approval rating for employee satisfaction, and only 4 per cent of responses to the survey were negative. Baloise is an excellent employer and we are not letting up in our efforts to improve our position.

Change in the leadership of the Group

Having recovered from cancer, our Group CEO Gert De Winter has made the difficult decision to leave Baloise on 30 June 2023 after around 18 years. Following the personal events of recent months, he believes that now is the right time to reassess his priorities. The insurance industry is undergoing a fundamental transformation, and since taking on his role seven years ago Gert de Winter has made sure that Baloise is fully prepared for these changes. He has been a huge asset to Baloise and has earned the gratitude of the whole Board of Directors. The baton will pass to Michael Müller, currently CEO of Baloise in Switzerland, when he becomes the new CEO of the Baloise Group on 1 July. He has been with Baloise for 26 years and has been a member of the Corporate Executive Committee since 2011. Michael Müller represents continuity but will also provide impetus to take the Company forward in his new role. He will build on the strengths of previous years to ensure that Baloise remains a highly attractive, reliable and responsible company for our customers, employees and shareholders.

Insurance companies strengthen society

Events of recent years illustrate the strengths and thus the importance of insurance companies. We continuously adapt our business activities in line with our sustainability strategy and the challenges facing society. Our role traditionally becomes even more important during phases of change. Baloise has always been part of any transition process, and that is why we are certain that we can play an important role in society when it comes to tackling climate change. We have the expertise and the solutions required to help economies overcome some of the leading risks such as cyber, earthquakes, power supply shortages or the next pandemic. In Switzerland, we have had a sustainable and community-based solution in the area of natural disasters for years. Not all the biggest risks are insurable, but we should work with the national government to find solutions for certain key risks because there are large gaps in cover. These gaps can prove very costly for individuals and economies.

Switzerland has been grappling with the thorny political issue of how to finance pension provision in a sustainable way for years. Other European countries are also facing similar challenges. Demographic change is testing the inter-generational contract and the growing number of pensioners is putting the state-funded part of retirement provision under pressure. Policymakers need to adjust the state parameters in occupational pension provision as a matter of urgency. As one of the few remaining providers with a comprehensive range of occupational pension solutions, we are responsible for a great many small and medium-sized enterprises and thus for an equitable society. The importance of our services for private pension provision is likely to continue to grow in future.

Over the past 160 years, Baloise has tackled every economic challenge head-on. The qualities that set us apart and make us strong will continue to support us as we move into the future. We have excellent capitalisation, a stable and loyal customer base, and a committed workforce that we can rely on. We can therefore be sure of sustainable value generation that you, our valued shareholders, can continue to depend on in future.

Basel, March 2023

Dr Thomas von Planta
Chairman of the Board of Directors

Gert De Winter
Group CEO

«Insurance companies play an especially important role in periods of change.»

Dr Thomas von Planta, Chairman of the Board of Directors (left), and **Gert De Winter**, Group CEO (right)

Review of operating performance

Solid results, increased cash remittance and higher dividend at Baloise

The global economy faced persistent challenges in 2022 that will affect the business activities of many companies this year too. Against the backdrop of these market conditions, we are especially proud that we can once again present solid financial results for 2022. In the attractive non-life business, Baloise generated growth in local currency terms and improved the profit contribution despite the strengthening of reserves to reflect inflation. We achieved an excellent level of earnings in the life business. This resulted in profit attributable to shareholders of CHF 548.0 million. Based on the high operational profitability and reliable cash remittance, we intend to request to increase the dividend by CHF 0.40 to CHF 7.40. This confirms once again that Baloise is a reliable and attractive investment. Over the past 20 years, we have continuously increased the dividend, one of only very few European insurance companies to do so.

Annual financial results in brief

- **Profit attributable to shareholders** for 2022 amounted to CHF 548.0 million (2021: CHF 588.4 million). The rapid rise in inflation in 2022 resulted in non-recurring effects in the non-life business that had a net negative impact of CHF 37.2 million on profit.
- The **volume of business** amounted to CHF 8,760.9 million owing to a lower volume of premiums in the traditional life insurance business and unfavourable currency effects (2021: CHF 9,591.1 million). Adjusted for currency effects, this equated to a decrease of 5.1 per cent.
- The volume of premiums in the **non-life business** rose by a healthy 2.4 per cent, adjusted for currency effects. In Swiss francs, the volume of premiums fell slightly to CHF 3,969.1 million (2021: CHF 4,063.4 million).
- The **net combined ratio** of the Group was 91.9 per cent (2021: 92.6 per cent). Non-recurring effects during the reporting year, particularly the strengthening of reserves in view of inflation, had a negative impact on the net combined ratio, adding 1.4 percentage points.
- **Earnings before interest and tax (EBIT) in the non-life business** came to CHF 321.7 million, which represented a good year-on-year improvement of 5.9 per cent (2021: CHF 303.9 million).
- The level of gross premiums in the **life business** reflected the continuing trend towards partially autonomous occupational pension solutions. As a result, the volume of premiums in the traditional life insurance business fell by 6.8 per cent year on year to CHF 3,160.8 million (2021: CHF 3,389.7 million). **EBIT attributable to the life business** came to a very healthy CHF 376.7 million, which was down only slightly on the exceptionally strong prior-year figure (2021: CHF 406.7 million).
- The **new business margin** in the life business stood at a very solid 53.5 per cent in 2022 (2021: 39.0 per cent). The interest rate margin improved to 117 basis points (2021: 108 basis points) thanks to a rise in current income.

- **Asset management** delivered a **net return on insurance assets** of 2.0 per cent (2021: 2.2 per cent). Net new assets from third parties increased once again, rising by around CHF 1 billion.
- Baloise's **capitalisation** remained robust. We expect the SST ratio as at 1 January 2023 to be over 230 per cent (2021: 220 per cent). Consolidated equity amounted to CHF 4,552.1 million (30 June 2022: CHF 5,021.0 million). In June 2022, Standard & Poor's confirmed its rating of A+ for the Baloise Group.
- In 2022, the **cash remittance** increased by 9 per cent to CHF 471 million (2021: CHF 431 million). The Board of Directors intends to request to increase the **dividend** by CHF 0.40 to CHF 7.40 per share.
- Reporting in accordance with the new **IFRS 17 and 9 accounting standards** will be published for the first time in the half-year financial statements on 20 September 2023. We will provide an update for capital market participants on 29 June 2023.

Baloise sustainably successful in a challenging environment

Profit attributable to shareholders for 2022 amounted to CHF 548.0 million, a year-on-year fall of 6.9 per cent (2021: CHF 588.4 million). There was a non-recurring positive effect on profit from reserves that were no longer needed in view of the planned sale of the German hospital liability business and from the interest-rate-related reversal of reserves for the accident and health insurance business in Switzerland. Conversely, the strengthening of reserves to reflect the increase in inflation had an adverse effect on profit. These effects together had a net negative impact of CHF 37.2 million on profit. There was a particularly strong profit contribution from the Swiss life business, which benefited from a rise in interest rates and the continual optimisation of the life insurance portfolio. Overall, all operating segments contributed to Baloise's sound profit.

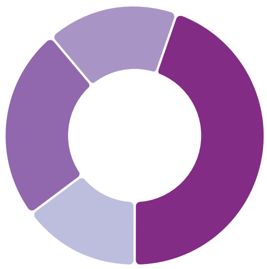
The **Group's earnings before interest and tax (EBIT)** amounted to CHF 705.3 million (2021: CHF 722.5 million).

The **Group's business volume** declined year on year owing to shifts within the traditional life insurance business involving occupational pensions, lower volumes in the investment-linked life insurance business and currency effects. The total volume of business went down by 8.7 per cent to CHF 8,760.9 million (2021: CHF 9,591.1 million). In local currency terms, the decrease was 5.1 per cent.

Business volume

	2021	2022	+/– %
CHF million			
Total business volume	9,591.1	8,760.9	– 8.7
Life	3,389.7	3,160.8	– 6.8
Non-life	4,063.4	3,969.1	– 2.3
Investment-type premiums	2,138.0	1,631.0	– 23.7

Business volume in 2022 (gross)
by strategic business unit*



* 0.6 % group business

Higher profit contribution from non-life business; strengthening of reserves to reflect inflation takes its toll on the combined ratio

Adjusted for currency effects, the **non-life business** generated organic growth in all markets. In Swiss francs, there was a fall of 2.3 per cent to CHF 3,969.1 million (2021: CHF 4,063.4 million), whereas the increase in local currency terms was 2.4 per cent.

Gross premiums written in the Swiss market rose by a healthy 2.7 per cent to CHF 1,429.9 million (2021: CHF 1,392.7 million).

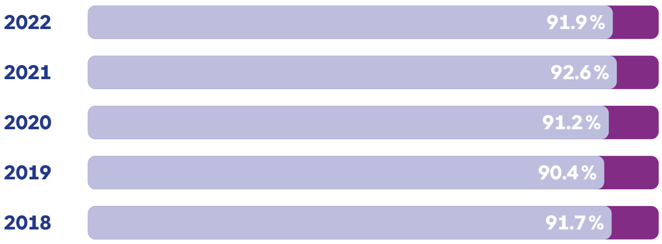
The Belgian unit recorded modest year-on-year growth of 0.7 per cent in local currency terms. In Swiss francs, gross premiums written decreased by 6.4 per cent to CHF 1,538.9 million (2021: CHF 1,644.3 million).

In Germany, we achieved very satisfying growth of 5.2 per cent in local currency terms. In Swiss francs, there was a fall of 2.2 per cent to CHF 802.5 million (2021: CHF 821.0 million).

Business in Luxembourg recorded gross premiums written of CHF 141.8 million. This amounted to growth of 2.7 per cent in local currency terms and a decrease of 4.5 per cent in Swiss francs (2021: CHF 148.5 million).

Earnings before interest and tax (EBIT) in the non-life business rose by 5.9 per cent to CHF 321.7 million despite the strengthening of reserves to cushion the effects of inflation (2021: CHF 303.9 million). The aforementioned non-recurring effects added 1.4 percentage points to the net combined ratio. Nonetheless, this ratio improved to a robust 91.9 per cent (2021: 92.6 per cent), partly due to the lower level of claims incurred compared with 2021 and partly due to a reduction in costs.

Development of net combined ratio



Another very good profit contribution from the life business thanks to the improved interest-rate situation and optimisation of the business mix

The volume of life insurance business fell by 13.3 per cent in Swiss francs and by 10.6 per cent in local currency terms to stand at CHF 4,791.8 million (2021: CHF 5,527.7 million). This decrease was primarily attributable to the emerging trend of a preference for partially autonomous solutions in the Swiss group life business over the comprehensive insurance model. We are therefore seeing a reduction in premiums in the **traditional life insurance business**, which declined by 6.8 per cent to CHF 3,160.8 million in 2022 (2021: CHF 3,389.7 million). The bulk of this decrease was attributable to business in Switzerland, which registered a fall of 7.9 per cent to CHF 2,512.6 million (2021: CHF 2,727.8 million).

In Germany, the volume of premiums grew by 4.2 per cent to CHF 385.4 million in local currency terms (2021: CHF 397.9 million) as a result of increased new business involving biometric products and pension products. In Swiss francs, the volume of premiums contracted by 3.1 per cent.

Gross premiums written in the life business in Belgium rose by a good 3.4 per cent to CHF 195.7 million (2021: CHF 189.3 million). In local currency terms, the increase was a substantial 11.2 per cent.

Business declined in Luxembourg, resulting in a premium volume of CHF 66.9 million (2021: CHF 74.5 million).

The volume of **investment-type premiums** slumped by 23.7 per cent year on year to CHF 1,631.0 million (2021: CHF 2,138.0 million). As observed in the recent past, the 'freedom of service' business – which is mainly operated from Luxembourg – is sensitive to market uncertainty and tends to react with a high level of volatility. Capital market conditions in 2022 and the significant uncertainty provoked by the war in Europe resulted in a sharp fall in premiums in the reporting year.

EBIT in the life business remained at a high level, amounting to a very healthy CHF 376.7 million in 2022 (2021: CHF 406.7 million). Although this was down slightly year on year, the prior-year figure had been exceptionally high owing to the very upbeat conditions in the capital markets in 2021. The profit contribution was excellent once again in 2022 thanks to continual optimisation of the business mix, profit contributions from our property portfolio and the improved interest-rate situation.

The new business margin in the life business swelled to 53.5 per cent in 2022 owing to the rise in interest rates (2021: 39.0 per cent).

The interest rate margin improved to a solid 117 basis points (2021: 108 basis points). This increase was due to higher current income, whereas the average guaranteed rate of return was on a par with 2021.

Buoyed by the trend towards partially autonomous collective foundations, the performance of the **Perspectiva** collective foundation was very satisfying in 2022. Perspectiva's customer base continued to see steady growth in its eighth year of operation and included 4,427 companies with around 19,600 policyholders at the end of 2022. The foundation assets stood at approximately CHF 1.4 billion. Despite the prevailing cautious sentiment, the trend towards partially autonomous pension solutions remains intact.

Insurance assets: solid investment yield despite highly challenging market conditions

The war in Ukraine and rising inflation dominated the global economy in 2022. This triggered sharp rises in interest rates in the bond market. Moreover, the global equity market lost almost 20 per cent in value over the course of the year. Given the very challenging market conditions, the gains on the investment of insurance assets were at a healthy level at CHF 1,123.0 million (2021: CHF 1,351.2 million). Moreover, current income was on a par with the prior-year level at CHF 1,085.7 million as a result of further reallocations from bonds to private debt (2021: CHF 1,088.0 million). Gross impairment losses were up by CHF 76.9 million year on year and were mainly attributable to adverse market movements. The gain of CHF 414.0 million recognised in the income statement was therefore very satisfying (2021: CHF 507.4 million). Higher currency hedging costs and the depreciation of the euro against the Swiss franc caused an additional year-on-year reduction in profit of CHF 66.1 million. Nonetheless, the investment yield on insurance assets held up well at 2.0 per cent (2021: 2.2 per cent). Unrealised gains fell by CHF 5.7 billion due to significantly higher interest rates and spreads and due to the correction in the equity markets. The IFRS investment performance on insurance assets, which includes unrealised net gains and losses on investments but excludes gains and losses on held-to-maturity debt instruments, was minus 8.1 per cent, representing a decrease compared to the 1.4 per cent IFRS investment performance in 2021.

As at 31 December 2022, the total assets under management (AuM) at Baloise Asset Management stood at CHF 55.8 billion, a decrease of 15.1 per cent compared with the end of 2021 (31 December 2021: CHF 65.7 billion). This reduction was attributable to rising interest rates and the resulting decrease in value of the bond portfolio in the insurance assets, the downtrend in the equity markets, and the weakness of the euro against the Swiss franc. The favourable business mix meant that fee income remained at a good level despite the decrease in AuM.

Key figures for the national Baloise companies

Key figures for Switzerland

	2021	2022	+/– %
CHF million			
Business volume	4,239.9	4,068.5	–4.0
Of which: life	2,847.2	2,638.6	–7.3
Of which: non-life	1,392.7	1,429.9	2.7
Net combined ratio (per cent)	89.2	92.0	2.8
Profit before borrowing costs and taxes	584.6	540.9	–7.5

Key figures for Belgium

	2021	2022	+/– %
CHF million			
Business volume	2,302.5	2,112.6	–8.3
Of which: life	658.2	573.7	–12.8
Of which: non-life	1,644.3	1,538.9	–6.4
Net combined ratio (per cent)	93.0	92.1	–0.9
Profit before borrowing costs and taxes	149.0	149.7	0.5

Key figures for Germany

	2021	2022	+/– %
CHF million			
Business volume	1,406.4	1,356.8	–3.5
Of which: life	585.4	554.2	–5.3
Of which: non-life	821.0	802.5	–2.2
Net combined ratio (per cent)	96.8	93.5	–3.3
Profit before borrowing costs and taxes	42.5	31.1	–26.8

Key figures for Luxembourg

	2021	2022	+/– %
CHF million			
Business volume	1,585.3	1,167.0	–26.4
Of which: life	1,436.7	1,025.2	–28.6
Of which: non-life	148.5	141.8	–4.5
Net combined ratio (per cent)	93.9	88.3	–5.6
Profit before borrowing costs and taxes	12.5	13.8	10.4

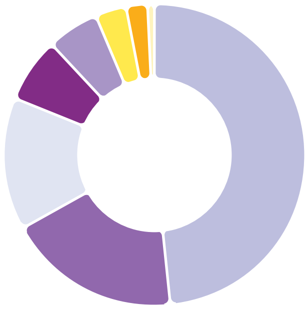
Assets held by Baloise

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

as at 31 December 2022	Non-life	Life	Asset Management & Banking	Total for the Group
CHF million				
Investments for own account and at own risk	9,520.5	43,228.4	8,442.1	60,411.7
Asset portfolio for the account and at risk of life insurance policyholders and third parties		14,864.8		15,429.4
Total recognised assets	**9,520.5**	**58,093.2**	**8,442.1**	**75,841.1**
Third-party assets				12,627.2

Review of operating performance

Investment components in 2022



- 48.4% Fixed-income securities
- 18.6% Mortgage assets
- 14.1% Investment property
- 7.0% Policy loans and other loans
- 5.6% Equities
- 3.4% Cash and cash equivalents
- 2.1% Alternative financial assets
- 0.8% Derivates

Proprietary investments by category[1]

	31.12.2021	31.12.2022	+/- %
CHF million			
Investment property	8,464.5	8,495.1	0.4
Equities	3,946.4	3,378.7	-14.4
Alternative financial assets	1,236.9	1,240.7	0.3
Fixed-income securities	34,886.3	29,237.1	-16.2
Mortgage assets	11,269.3	11,255.3	-0.1
Policy loans and other loans	4,829.6	4,247.5	-12.1
Derivatives	583.3	512.2	-12.2
Cash and cash equivalents	2,577.3	2,045.1	-20.6
Total	**67,793.5**	**60,411.7**	**-10.9**

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

Continued expansion of third-party business
The existing growth trend remained intact in spite of the generally difficult investment market. Net new assets in the business with external customers amounted to CHF 960.0 million in 2022, which matched the volume of growth in the prior year. Assets under management declined by 5.9 per cent, from CHF 13.4 billion to CHF 12.6 billion, owing to market conditions. Activities in the institutional investor business included the successful launch of a private market strategy for debt finance of infrastructure, in connection with which the first transaction was completed in an amount of EUR 75 million. The Group-wide Baloise brand was launched in the reporting period and, fittingly, collaboration between Asset Management and Banking again contributed to the volume of net new assets in 2022. We were entrusted with the management of assets of CHF 268.5 million in the reporting period.

An attractive investment for the past 160 years – Baloise raises its dividend for the 13th time in 20 years, taking it to CHF 7.40
Consolidated equity went down from CHF 5,021.0 million as at 30 June 2022 to CHF 4,552.1 million at the end of 2022. As communicated in August 2022, the significant rise in interest rates during the year led to downward adjustments of the valuation of fixed-income investments. This in turn had an adverse effect on equity from an accounting perspective. In the previous ten years, equity had generally grown continuously due to falling interest rates and the resulting higher valuation of investments with more attractive yields. As expected, 2022 saw the inversion of this effect for the first time in a while owing to the sustained increase in interest rates. However, Baloise's capital adequacy remains comfortable, as was evident when Standard & Poor's reaffirmed its rating of A+ for the Baloise Group in June 2022. 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 complete report is available at www.baloise.com/ratings.

In the **Swiss Solvency Test (SST)***, a ratio of over 230 per cent is expected as at 1 January 2023. The Board of Directors of Bâloise Holding Ltd is optimistic about Baloise's long-term success in view of its strong operational profitability. It will therefore propose to the 2023 Annual General Meeting that the dividend be raised by CHF 0.40 to CHF 7.40 per share. This means that Baloise will have raised its dividend a total of 13 times in the past 20 years. The average annual dividend increase over the past ten years is over 5 per cent, underlining that we are an attractive investment with long-term success.

* The SST ratio will be published at the end of April 2023.

Further growth through innovation, advancement of the sustainable business strategy, first cost savings achieved
In the first year of the new strategic programme, Simply Safe: Season 2, Baloise gained around 173,000 new customers. Ecosystem innovation initiatives played a major part in this increase.

The **innovation projects and the Home and Mobility ecosystems** generated revenue of CHF 82.5 million (2021: CHF 70.4 million). Baloise's digital insurer FRIDAY made a significant contribution, with a premium volume of CHF 51.9 million. In local currency terms, **FRIDAY** grew by 5.9 per cent.

In addition, we are also seeing the first efficiency gains, which – adjusted for growth – have amounted to around CHF 50 million since launch of the second phase of Simply Safe.

In 2022, existing sustainability criteria were tightened and embedded in more of the Company's business processes. They were also reviewed from a quality and usability

perspective. In this context, we are introducing more transparent reporting on sustainability criteria in our underwriting processes. With a view to the future, we updated our Responsible Investment Policy to reflect the changing regulatory environment and it came into effect on 1 January 2023. The ESG ratings from MSCI and Sustainalytics improved once again in 2022. Baloise now holds an AA rating from MSCI, which is the second-highest level in MSCI's rating system. Sustainalytics lowered Baloise's risk exposure again, and it now stands at 20.4.
www.baloise.com/sustainability-ratings-2022
www.baloise.com/sustainability

In 2022, Baloise entered a new strategic phase, Simply Safe: Season 2, which continues until 2025. We are building on the successes of the first strategic phase and continuing to focus our ambitious objectives on our stakeholders: customers, shareholders and employees. By the end of 2025, we are aiming to have gained a total of 1.5 million new customers, to have generated CHF 2 billion in cash (of which 60–80 per cent is to be distributed as dividends), and to be in the top 5 per cent of the best companies to work for in Europe. A substantially expanded benchmark of companies from various sectors across Europe was used to measure the latter target in 2022. The baseline measurement places us in the top 36 per cent of these companies.

Our Company is celebrating its 160th anniversary this year. Over the past century and a half, Baloise has repeatedly demonstrated its resilience and ability to adapt. We firmly believe that this will help us to live up to the expectations of all our stakeholders despite the impact of the war in Europe, stubbornly high inflation and disrupted supply chains, and we will continue to build on the successes we have achieved in the past.

Consolidated income statement

Five-year overview

	2018	2019	2020	2021	2022
CHF million					
Income					
Premiums earned and policy fees (gross)[1]	6,737.0	7,571.3	7,034.8	7,416.2	7,109.5
Reinsurance premiums ceded	–209.0	–241.5	–268.0	–326.5	–317.8
Premiums earned and policy fees (net)	6,528.0	7,329.8	6,766.8	7,089.7	6,791.7
Investment income	1,376.0	1,257.0	1,176.5	1,159.5	1,157.2
Realised gains and losses on investments[2]					
For own account and at own risk	96.1	336.1	288.3	370.5	124.0
For the account and at risk of life insurance policyholders and third parties	–1,087.8	1,709.5	179.5	1,534.2	–2,057.9
Income from services rendered	130.4	126.0	118.5	130.6	130.0
Share of profit (loss) of associates	6.2	10.8	64.1	4.9	4.9
Other operating income	227.6	227.7	193.4	213.2	178.2
Income	**7,276.6**	**10,996.9**	**8,787.0**	**10,502.5**	**6,328.1**
Expense					
Claims and benefits paid (gross)	–5,904.4	–6,090.4	–6,182.6	–5,813.4	–6,350.5
Change in technical reserves (gross)	412.4	–956.7	33.1	–1,184.7	929.0
Reinsurance share of claims incurred	83.3	117.0	236.4	529.6	251.7
Acquisition costs	–535.8	–554.6	–581.3	–655.6	–596.6
Operating and administrative expenses for insurance business	–810.8	–816.0	–831.6	–856.7	–867.0
Investment management expenses[3]	–82.2	–108.1	–107.4	–124.4	–122.9
Interest expenses on insurance liabilities	–19.2	–17.2	–15.2	–13.6	–11.6
Gains or losses on financial contracts	801.2	–1,388.0	–259.5	–1,168.3	1,609.9
Other operating expenses[3]	–483.6	–459.0	–476.1	–493.0	–464.8
Expense	**–6,539.1**	**–10,273.0**	**–8,184.1**	**–9,780.0**	**–5,622.8**
Profit before borrowing costs and taxes	**737.5**	**723.9**	**602.9**	**722.5**	**705.3**

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

	2018	2019	2020	2021	2022
CHF million					
Profit before borrowing costs and taxes	**737.5**	**723.9**	**602.9**	**722.5**	**705.3**
Borrowing costs	– 39.9	– 37.7	– 34.3	– 24.7	– 22.4
Profit before taxes	**697.6**	**686.2**	**568.6**	**697.9**	**682.9**
Income taxes	– 174.7	3.3	– 140.3	– 114.6	– 138.4
Profit for the period	**522.9**	**689.5**	**428.3**	**583.3**	**544.5**
Attributable to					
Shareholders	523.2	694.2	434.3	588.4	548.0
Non-controlling interests	– 0.3	– 4.7	– 6.1	– 5.1	– 3.5
Earnings / loss per share					
Basic (CHF)	11.14	15.02	9.65	13.06	12.13
Diluted (CHF)	11.12	14.99	9.63	13.05	12.12

Additional information insurance

	2018	2019	2020	2021	2022
CHF million					
Gross premiums written and policy fees	6,766.2	7,602.4	7,093.8	7,453.1	7,130.0
Investment-type premiums	1,912.1	1,907.5	1,832.7	2,138.0	1,631.0
Total business volume	**8,678.2**	**9,509.9**	**8,926.5**	**9,591.1**	**8,760.9**
Investments for the account and at the risk of life insurance policyholders	13,640.8	15,337.8	15,564.1	17,309.2	14,864.8
Net combined ratio	91.7	90.4	91.2	92.6	91.9
Funding ratio (non-life) (per cent)	179.4	179.8	174.3	161.8	158.4

Consolidated balance sheet

Five-year overview

as at 31.12.	2018	2019	2020	2021	2022
CHF million					
Assets					
Property, plant and equipment	318.3	362.8	466.2	419.5	411.5
Intangible assets	1,041.2	1,034.7	1,155.4	1,180.4	1,405.9
Investments in associates	221.1	387.4	263.4	316.0	344.7
Investment property	7,904.0	8,120.1	8,410.3	8,464.5	8,495.1
Financial instruments with characteristics of equity	14,137.9	16,232.9	16,539.8	19,172.0	16,275.9
Financial instruments with characteristics of liabilities	33,775.1	36,749.0	37,078.9	36,961.5	31,384.2
Mortgages and loans	16,396.2	16,812.9	17,014.9	16,098.9	15,502.8
Derivative financial instruments	914.8	1,048.1	1,089.1	902.1	812.9
Other assets / receivables	2,036.6	2,184.3	2,254.7	2,317.0	2,329.0
Deferred tax assets	73.5	97.4	87.9	73.7	217.9
Cash and cash equivalents	4,036.1	3,988.0	4,004.0	4,073.5	3,370.2
Total assets	**80,854.8**	**87,017.8**	**88,364.5**	**89,979.0**	**80,550.1**

as at 31.12.	2018	2019	2020	2021	2022
CHF million					
Equity and liabilities					
Equity					
Equity before non-controlling interests	5,970.6	6,714.0	6,983.7	7,285.1	4,539.5
Non-controlling interests	37.6	1.6	2.0	14.8	12.6
Total equity	**6,008.2**	**6,715.6**	**6,985.7**	**7,299.9**	**4,552.1**
Liabilities					
Gross technical reserves	46,575.2	48,333.3	48,585.0	48,661.4	44,605.2
Liabilities arising from banking business and financial contracts	21,539.0	24,540.4	25,283.5	26,882.4	24,576.3
Derivative financial instruments	117.3	117.5	152.6	89.8	136.1
Other accounts payable	5,707.2	6,372.6	6,357.4	6,043.4	6,089.9
Deferred tax liabilities	907.8	938.5	1,000.4	1,002.0	590.6
Total liabilities	**74,846.6**	**80,302.2**	**81,378.8**	**82,679.1**	**75,998.1**
Total equity and liabilities	**80,854.8**	**87,017.8**	**88,364.5**	**89,979.0**	**80,550.1**

Business volume, premiums and combined ratio

Business volume

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**

2022	Group	Switzerland	Germany	Belgium	Luxembourg
CHF million					
Non-life	3,969.1	1,429.9	802.5	1,538.9	141.8
Life	3,160.8	2,512.6	385.4	195.7	66.9
Sub-total of IFRS gross premiums written [1]	7,130.0	3,942.6	1,188.0	1,734.6	208.7
Investment-type premiums	1,631.0	126.0	168.8	377.9	958.3
Total business volume	**8,760.9**	**4,068.5**	**1,356.8**	**2,112.6**	**1,167.0**

1 Premiums written and policy fees (gross).

Net combined ratio

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**

2022	Group	Switzerland	Germany	Belgium	Luxembourg
as a percentage of premiums earned					
Claims ratio [1]	60.1	65.7	58.5	57.9	54.7
Expense ratio	31.8	26.3	35.0	34.2	33.6
Combined ratio	**91.9**	**92.0**	**93.5**	**92.1**	**88.3**

1 Including the profit-sharing ratio.

Gross and net combined ratio

	Gross		Net	
	2021	2022	2021	2022
as a percentage of premiums earned				
Claims ratio [1]	68.6	61.5	60.4	60.1
Expense ratio	30.7	30.2	32.2	31.8
Combined ratio	**99.3**	**91.7**	**92.6**	**91.9**

1 Including the profit-sharing ratio.

Funding ratio (non-life)

	2021	2022
CHF million		
Technical reserve for own account [1]	6,133.6	5,836.3
Premiums written and policy fees for own account	3,791.6	3,684.8
Funding ratio (per cent)	**161.8**	**158.4**

1 Not including capitalised settlement premiums.

Technical income statement

CHF million	Non-life 2021	Non-life 2022	Life[3] 2021	Life[3] 2022
Gross				
Gross premiums written and policy fees	4,063.4	3,969.1	3,389.7	3,160.8
Change in unearned premium reserves	–36.9	–20.5	–	–
Premiums earned and policy fees (gross)	4,026.5	3,948.7	3,389.7	3,160.8
Claims and benefits paid (gross)	–2,541.8	–2,518.8	–3,271.6	–3,831.8
Change in technical reserves (gross)				
Change in claims reserve/actuarial reserves[1]	–208.7	108.9	–591.3	1,227.4
Change in other technical reserves	–19.1	–35.4	–365.5	–372.0
Technical expenses	–1,262.3	–1,215.1	–344.2	–331.9
Total technical result (gross)	**–5.5**	**288.3**	**–1,183.0**	**–147.4**
Ceded to reinsurers				
Reinsurance premiums ceded	–279.1	–280.9	–47.4	–36.9
Claims and benefits paid	318.8	362.6	13.1	11.3
Reinsurers' share of claims incurred	179.2	–140.0	4.3	8.0
Change in other technical reserves	0.0	0.0	14.2	9.9
Technical expenses	28.8	25.5	0.9	0.2
Total technical result of ceded business	**247.7**	**–32.8**	**–15.0**	**–7.6**
For own account				
Premiums earned and policy fees	3,747.4	3,667.8	3,342.3	3,123.9
Claims and benefits paid	–2,223.0	–2,156.2	–3,258.5	–3,820.4
Change in claims reserve/actuarial reserves[1]	–29.5	–31.1	–587.1	1,235.3
Change in other technical reserves	–19.1	–35.4	–351.3	–362.1
Technical expenses	–1,233.5	–1,189.6	–343.4	–331.7
Total technical result for own account	**242.3**	**255.5**	**–1,197.9**	**–155.0**
Investment income (gross)	151.9	157.3	936.1	928.4
Realised gains and losses on investments[2]	32.6	29.6	1,873.9	–1,865.7
Investment management expenses	–32.4	–28.5	–111.5	–104.7
Other financial expenses and income	–90.6	–92.3	–1,093.9	1,573.7
Gains or losses on investments	**61.6**	**66.1**	**1,604.7**	**531.7**
Profit before borrowing costs and taxes	**303.9**	**321.7**	**406.7**	**376.7**
Borrowing costs	–0.3	–0.2	–10.2	–10.2
Income taxes	–32.9	–74.5	–74.4	–50.7
Profit for the period (segment result)	**270.7**	**247.0**	**322.1**	**315.8**

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 2021: CHF –2.5 million; 31 December 2022: CHF –2.8 million).

Gross premiums by sector

Gross premiums by sector (non-life)

	2021	2022	+/– %
CHF million			
Accident	440.2	422.8	– 4.0
Health	169.0	168.3	– 0.4
General liability	382.3	370.9	– 3.0
Motor	1,329.2	1,264.2	– 4.9
Property	1,336.3	1,312.9	– 1.8
Marine	230.8	243.2	5.4
Other	112.3	111.8	– 0.4
Inward reinsurance	63.3	75.1	18.6
Gross premiums written (non-life)	**4,063.4**	**3,969.1**	**– 2.3**

Gross premiums by sector (life)

	2021	2022	+/– %
CHF million			
Business volume generated by single premiums	2,971.9	2,346.5	– 21.0
Business volume generated by periodic premiums	2,555.9	2,445.3	– 4.3
Investment-type premiums	– 2,138.0	– 1,631.0	– 23.7
Gross premiums written (life)	**3,389.7**	**3,160.8**	**– 6.8**

Banking activities

Profit or loss from banking activities

CHF million	2021	2022
Net interest income	77.3	78.6
Net fee and commission income	66.8	60.8
Trading profit	0.2	–0.1
Other net income	13.6	12.7
Total operating income	**158.0**	**152.0**
Personnel expenses	–69.6	–86.5
General and administrative expenses	3.6	7.9
Total operating expenses	**–66.0**	**–78.7**
Gross profit	**92.0**	**73.3**
Net losses and impairment due to credit risk	–4.4	–0.4
Depreciation, amortisation and impairment of property, plant and equipment and of intangible assets	–5.1	–9.4
Profit before borrowing costs and taxes	**82.5**	**63.5**
Borrowing costs	0.0	0.0
Income taxes	–12.0	–9.9
Profit for the period (segment result)	**70.4**	**53.6**

Additional information

CHF million	31.12.2021	31.12.2022
Third-party assets	13,422.8	12,627.2

Asset allocation

CHF million	31.12.2021	31.12.2022
Investment property	–	–
Equities	15.1	17.8
Alternative financial assets	–	–
Fixed-income securities	114.0	109.1
Mortgage assets	6,956.8	7,124.7
Policy loans and other loans	169.5	195.2
Derivative financial instruments	10.3	72.4
Cash and cash equivalents	1,333.8	922.9
Total	**8,599.6**	**8,442.1**

Investment performance

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.

2022[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	563.0	110.7	279.7	188.4	15.3	1,157.2
Realised gains and losses and impairment losses recognised in profit or loss (net)	–317.8	153.7	242.7	–78.0	123.5	124.0
Change in unrealised gains and losses recognised directly in equity	–5,197.5	–485.2	–	–	–22.2	–5,704.8
Investment management costs	–55.9	–6.7	–28.1	–9.6	–10.1	–110.4
Operating profit	**–5,008.2**	**–227.5**	**494.3**	**100.8**	**106.5**	**–4,534.0**
Average investment portfolio	32,061.7	3,662.6	8,479.8	15,800.9	4,097.7	64,102.6
Performance (per cent)	**–15.6**	**–6.2**	**5.8**	**0.6**	**2.6**	**–7.1**

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

Current income from insurance [1]

	2021			2022		
	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	36.9	248.5	285.4	36.5	242.6	279.1
Equities	33.4	77.1	110.5	32.8	77.5	110.2
Alternative financial assets	1.1	9.0	10.1	3.1	13.0	16.1
Fixed-income securities	62.2	487.7	549.9	67.3	494.5	561.8
Mortgage assets	6.6	56.5	63.1	6.1	51.6	57.8
Policy loans and other loans	12.3	58.5	70.8	11.6	49.4	61.0
Cash and cash equivalents	–0.6	–1.2	–1.8	0.0	–0.3	–0.3
Total current income	**151.9**	**936.1**	**1,088.0**	**157.3**	**928.4**	**1,085.7**

Realised gains and losses in insurance [1]

	2021			2022		
	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	18.2	219.8	238.0	28.9	213.7	242.6
Equities	48.5	103.6	152.1	46.8	106.9	153.7
Alternative financial assets	13.6	65.1	78.7	14.7	67.5	82.1
Fixed-income securities	–39.8	–97.2	–137.0	–58.6	–259.2	–317.8
Mortgage assets	–0.4	–0.4	–0.7	–	0.0	0.0
Policy loans and other loans	1.9	19.2	21.1	–0.6	–2.7	–3.3
Derivative financial instruments	–9.5	62.4	52.9	–1.6	12.9	11.4
Total capital gains and losses	**32.6**	**372.5**	**405.1**	**29.6**	**139.1**	**168.7**

Asset allocation in insurance [1]

	2021			2022		
as at 31.12.	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	1,008.6	7,443.9	8,452.6	1,036.8	7,446.2	8,483.0
Equities	1,136.4	2,787.0	3,923.4	775.7	2,575.1	3,350.8
Alternative financial assets	347.0	889.9	1,236.9	407.4	833.3	1,240.7
Fixed-income securities	5,697.3	29,074.3	34,771.6	5,112.5	24,015.1	29,127.5
Mortgage assets	465.5	3,847.0	4,312.5	443.0	3,687.6	4,130.6
Policy loans and other loans	1,575.1	4,243.8	5,818.9	1,415.8	3,587.6	5,003.4
Derivative financial instruments	21.1	548.3	569.5	17.4	421.9	439.3
Cash and cash equivalents	342.7	693.9	1,036.5	312.0	661.6	973.6
Total	**10,593.7**	**49,528.2**	**60,121.9**	**9,520.5**	**43,228.4**	**52,748.9**

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 objectives

- Identification and measurement of key risks
- Compliance with all external requirements regarding risk management
- Carefully considered management of opportunities, taking account of the risks
- Involvement of our employees from different departments and operating segments in the risk management system
- Active communication about the risk situation
- Integration of sustainability risks 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 stability and the proper functioning of business operations at Baloise
- 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 is a key element of a sustainability-focused corporate governance system and, as such, plays an important role at Baloise in adding value for all our stakeholders. 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. The main tasks of risk management are to satisfy the statutory, regulatory and other external requirements applicable to Baloise and to optimise the risk/return ratio with the aim of maintaining and increasing value for our stakeholders in the long term.

Our risk management system plays an important role in the overall value creation process. It involves managing risk and value alike and is based on innovative standards so that we can always keep our promise to 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 126 and 127 of the 2022 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 our employees from different departments and operating segments in the risk management system (e.g. in the assessment of risks and in the allocation of responsibility for risks).

- **Risk measurement**
  At Baloise, risk is identified and quantified in all business and financial processes according to common internal standards. This enables appropriate priorities to be set for our 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 reporting**
  Risk reporting ensures that the current risk situation is presented transparently in our internal and external communications.

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

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 our 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 our 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. A corporate database of specific risks – containing a detailed description of the risks concerned, their position on the risk map, early-warning indicators and their 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 assessment process, along with system managers, process managers and specialists, which creates risk awareness and a risk culture among our 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. This helps it to monitor risk and provide 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 we can always meet our obligations to 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. This combination of quantitative risk measurement and analysis of specific risks as described above ensures that we have an adequate overview of the prevailing risk situation at all times. The overall risk situation is presented in the Own Risk and Solvency Assessment and discussed with the decision-makers as a basis for developing appropriate action plans.

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, we are 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, we can identify risks for our stakeholders at an early stage and effectively mitigate them.

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, investors and customers 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.

Our risk management team proactively participates in discussions with our 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. At Baloise, we fulfil our responsibilities through our work with the association, and also in direct cooperation with the regulatory authorities, by providing support in the form of data, analyses and assessments for industry surveys about specific issues and for use in the ongoing 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 our customers and investors.

Our 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 risk appetite. Strategic risk management within the scope of the defined 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, we aim to achieve the highest possible expected return with the lowest possible risk. This will ensure long-term stability, benefiting both our customers and our investors.

Sustainability risks and climate risks

As the integration of sustainability risks and climate risks into our risk management framework progresses, our 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 our customers and investors and will reduce the Company's environmental impact.

In order to facilitate an efficient assessment from different angles and over different periods of time, sustainability-related risks are integrated into the existing risk processes at Baloise. To this end, sustainability risks are classified as pertaining to the environmental, social or corporate governance (ESG) dimensions. They are identified, recorded and assessed along the risk map within the established risk categories used by insurance companies, banks and asset management companies (e.g. actuarial risk, credit risk and market risk). Another key risk category considered is climate risk. 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.

Although we predominantly evaluate sustainability risks on a qualitative basis, there are also established quantitative processes and methods at Baloise – including natural disaster analysis – that we regularly use in collaboration with our reinsurance brokers.

To integrate sustainability aspects, we first identified various sustainability risk clusters (e.g. storm and flood disasters) and, working closely with the underwriting, investment and actuarial departments, used the findings to determine any potential or actual risks. We then added the material risks identified by means of this process to our Group-wide frameworks. These are evaluated as part of the Own Risk and Solvency Assessment. In this context, we analyse sustainability risks and climate risks over short-term (approximately one year), medium-term (approximately one to five years) and long-term (more than five years) periods. This evaluation is integrated into the usual ORSA risk measurement processes. The resulting risk situation is discussed in detail with the Corporate Executive Committee and its committees – primarily the Risk Committee – and signed off by the Board of Directors.

Based on the commonly used typology, the following sustainability-related risks have been identified:

- **Physical risks**
  Although physical climate risks that may arise in the short term, such as natural disasters, are largely mitigated by reinsurance or the recognition of adequate capital reserves, climate change is a key factor driving medium-term and long-term risks arising from the increasing prevalence of natural phenomena such as hurricanes, floods, hailstorms and fires. Chronic risks with long-term effects – such as rising sea levels – represent potential emerging risks, especially as they are expected to have an adverse impact on investments and insured business in low-lying regions.

- **Transition risks**
  In the short term, changes in the expectations of stakeholders with regard to sustainability – and the resulting shift in demand for financial and insurance products – will create competition risks if we at Baloise do not respond appropriately to these changes. Moreover, an unexpectedly strong shift in demand in respect of certain companies or sectors in which we have invested could lead to market risks (stranded assets). There is a risk in the medium term that these circumstances are not adequately factored into strategic decisions and that suitable adjustments are not made to our product range. It is also important to consider technological developments in connection with the transition to a lower-carbon economy.

- **Liability risks**
  Particularly in the long term, risks may arise for Baloise if companies are increasingly held liable for the environmental damage that they cause (e.g. due to pollution, endangering of biodiversity or breaches of environmental standards).

The integration of sustainability risks into existing risk management processes ensures that the results of regular analyses and assessments are incorporated into our strategic risk management approach and that this approach is adequate for dealing with these risks. In addition, general risk awareness is strengthened through the involvement of our employees from different departments and operating segments. This ongoing integration of sustainability risks and climate risks into our management of risk constitutes an important step in implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Inclusion of sustainability criteria in our investment and underwriting policy

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

By integrating ESG factors into our investment process, we at Baloise are making a positive contribution to the environment, society, investors and customers. This is being achieved as part of Baloise's responsible investment strategy, which incorporates the climate strategy and active ownership strategy applicable to asset management at Baloise. We are reducing investment risks 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, in particular, can minimise downside risks. This benefits the environment and society as a whole, as these companies reduce their negative impact or even generate a positive impact. Our 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.
www.baloise.com/sustainability

Our underwriting policy also increasingly takes 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 market-specific opportunities in the field of sustainability that can then be addressed through products and services. This allows us to make a positive contribution to society and environmental protection through our core business (see chapter 'Environment / responsible underwriting', page 93 onwards).

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 our excellent capitalisation is also recognised by third parties. Standard & Poor's also takes a favourable view of our 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 economiesuisse's Swiss Code of Best Practice and the SIX Swiss Exchange 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 29 June 2022 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, 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 53 onwards).

The information contained in the Corporate Governance Report refers to the situation on the balance sheet date (31 December 2022). 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. In addition to the information provided in the Corporate Governance Report, governance structures – both general and relating to specific areas – are described in more depth in the sustainability section 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 Ltd 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 6,535.7 million as at 31 December 2022.

- Information on Baloise shares can be found in the Annual Review from page 40 onwards.
- Significant subsidiaries, joint ventures and associates as at 31 December 2022 can be found from page 226 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 165 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 48 onwards.

Shareholder base

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

Capital structure

A total of 27,343 shareholders were registered in Bâloise Holding Ltd's share register as at 31 December 2022. The number of registered shareholders had increased by 2.8 per cent compared with the previous year. The 'Significant shareholders' section on page 251 provides information on the structure of the Company's shareholder base as at 31 December 2022.

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 Ltd held (directly and indirectly) 311,418 treasury shares (0.7 per cent of the issued share capital) as at 31 December 2022.

Cross-shareholdings

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

2. Capital structure

Dividend policy

Bâloise Holding Ltd 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 1,994.8 million from cash dividends and share buy-backs over the last five years.

	Cash dividends	Share buy-backs	Total
Year (CHF million)			
2018	292.8	135.1	427.9
2019	312.3	190.0	502.3
2020	312.3	92.8	405.1
2021	320.6	–	320.6
2022	338.9 [1]	–	338.9
Total	**1,576.9**	**417.9**	**1,994.8**

All figures stated as at 31 December.
1 Proposal to the Annual General Meeting on 28 April 2023.

Bâloise Holding's equity

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

Changes in Bâloise Holding Ltd's equity (before appropriation of profit)

	31.12.2020	31.12.2021	31.12.2022
CHF million			
Share capital	4.9	4.6	4.6
General reserve	11.7	11.7	11.7
Reserve for treasury shares	9.2	7.6	7.8
Free reserves	922.3	502.8	573.6
Distributable profit	372.5	391.6	407.4
Treasury shares	– 491.3	– 9.3	– 8.1
Equity attributable to Bâloise Holding Ltd	**829.3**	**909.1**	**997.0**

Since the capital reduction decided on 30 April 2021, the share capital of Bâloise Holding Ltd 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). The company law reform that came into effect on 1 January 2023 replaces authorised capital with the concept of the capital band. The Annual General Meeting on 28 April 2023 will be asked to delete the provision relating to authorised capital from the Articles of Association and introduce a capital band with a floor of CHF 4,122,000 and a ceiling of CHF 5,038,000, valid until 28 April 2028.
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

Upper limit for the disapplication of pre-emption rights
The Annual General Meeting on 28 April 2023 will be asked to include a new provision in the Articles of Association limiting to 10 per cent the total number of registered shares that will be issued from the conditional capital and from the capital band, in each case disapplying or limiting shareholders' pre-emption rights.

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 4,552.1 million on 31 December 2022. Details of changes in consolidated equity in 2021 and 2022 can be found in the consolidated statement of changes in equity on pages 88 and 89 in the Financial Report. All pertinent details relating to 2020 can be found in the consolidated statement of changes in equity on page 90 in the 2021 Annual Report.

Bonds outstanding
Bâloise Holding Ltd and Baloise Life Ltd (with Bâloise Holding Ltd acting as guarantor) have issued bonds publicly. As at the end of 2022, a total of 14 public bonds were outstanding. On 19 January 2023, Bâloise Holding Ltd placed a further green bond in an amount of CHF 175 million. Details of outstanding bonds can be found on pages 210 and 249 and on the website.
www.baloise.com/bonds

Credit rating
On 15 June 2022, the credit rating agency Standard & Poor's confirmed its rating for the Baloise Group's core companies of A+ with a stable outlook. Standard & Poor's awarded this credit rating in recognition of Baloise's excellent capitalisation – which is comfortably above the AAA level according to the S&P capital model – as well as its high operational profitability, robust risk management and solid competitive position in its profitable core markets. Information about the ratings of Bâloise Holding Ltd and its subsidiaries Baloise Belgium NV (Belgium), Baloise Sachversicherung 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 2022, the average age on the Board of Directors was 58. The average term of office is 3.6 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 Thomas von Planta, Christoph Mäder, Christoph B. Gloor, Hugo Lasat, Dr Karin Lenzlinger Diedenhofen, Dr Markus R. Neuhaus, 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 Maya Bundt and Claudia Dill were newly elected to the Board of Directors, also for a one-year term until the end of the next Annual General Meeting.

All members of the Board of Directors will be standing for re-election at the Annual General Meeting on 28 April 2023.

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

Members

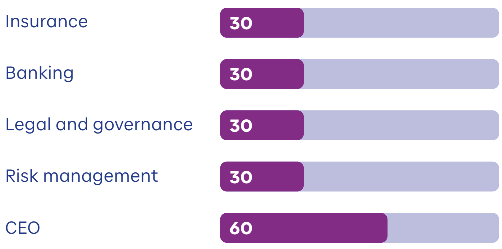
	Strategy and Governance Committee	Investment and Risk Committee	Remune-ration Committee	Audit Committee	Nationality	Born in	Appointed in
Dr Thomas von Planta, Chairman (since 2021), Zurich	C	C			CH	1961	2017
Christoph Mäder, Vice-Chairman (since 2022), Hergiswil	DC		C		CH	1959	2019
Dr Maya Bundt, Adliswil				M	D/CH	1971	2022
Claudia Dill, Zufikon		M			CH	1966	2022
Christoph B. Gloor, Riehen		M	M		CH	1966	2014
Hugo Lasat, Kessel-Lo (B)		DC			B	1964	2016
Dr Karin Lenzlinger Diedenhofen, Wermatswil			M		CH	1959	2021
Dr Markus R. Neuhaus, Zollikon	M			C	CH	1958	2019
Prof. Dr Hans-Jörg Schmidt-Trenz, Hamburg (D)			DC	M	D	1959	2018
Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen, Crans-Montana	M			DC	CH	1975	2016

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

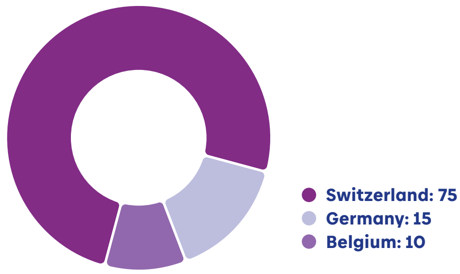
Diversity on the Board of Directors

Per cent

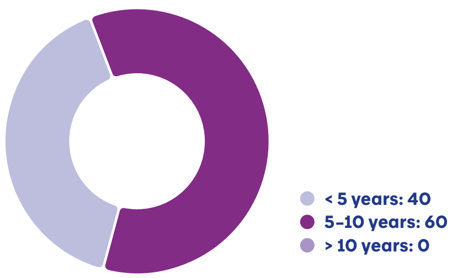
Professional background / experience / expertise*



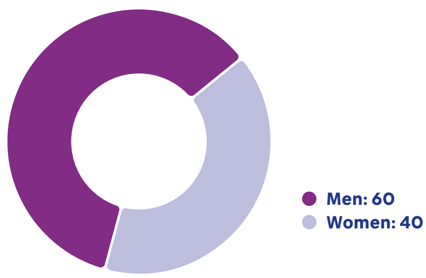
Nationality**



Term of appointment



Gender



* More than one category may apply

** One Board member has two nationalities. Each of these nationalities is counted as a half in the chart.

Statutory rules concerning the number of permitted activities

The Articles of Association contain a provision (article 33) concerning the maximum number of directorships that can be held outside the Company. Subsection 1 stipulates 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 necessary for the performance of their duties as members of the Board of Directors or Corporate Executive Committee. Subsection 3 specifies numerical restrictions. Subsection 2 defines directorships as seats on the supreme governing bodies of legal entities external to the Company that are required to be registered in the commercial register. The company law reform that came into effect on 1 January 2023 has altered the legal requirement to include directorships held by members of the Board of Directors or Corporate Executive Committee in comparable functions in other companies with a commercial purpose. The Annual General Meeting on 28 April 2023 will be asked to amend article 33 of the Articles of Association concerning directorships in companies outside the Baloise Group accordingly. In this Annual Report, directorships are disclosed in accordance with both the currently applicable and future provisions of the Articles of Association and in accordance with the SIX Corporate Governance Guidelines.

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 97 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 Strategy and Governance Committee. He also chairs the Investment and

Risk 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 that 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.

The Board of Directors has a Vice-Chairman who is an ex officio member of the Strategy and Governance Committee (see section C2.2 of the Organisational Regulations); he is also the Chairman of the Remuneration Committee. The Chairman of the Audit Committee is also a member of the Strategy and Governance Committee. The heads of the control functions (Risk Management, Compliance, Group Internal Audit and the appointed Actuary) report to him, as do the external auditors. The Chairman of the Audit Committee has powers that enable him to ensure the independence of the control functions. The members of the Strategy and Governance Committee have the right to convene a meeting at any time. If necessary, the Board of Directors can appoint an 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 and Risk 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 733 OR 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 Strategy and Governance Committee. The Chairman of the Board of Directors is not allowed to sit on the Audit 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 **Strategy and Governance Committee** 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 article 716a OR) and, where required, adopts the relevant resolutions. The Strategy and Governance Committee prepares nominations within the parameters of the Board of Directors' responsibility for nominations and elections.

The **Investment and Risk 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 financial risks. Key influencing factors (such as solvency, cover assets and reserves) are now taken into account in the committee when reviewing asset management.

The committee reviews the risk strategy and risk appetite of the Group for the attention of the Board of Directors and takes note of risk reports (function to be taken over by the Audit Committee after the 2023 Annual General Meeting).

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 article 735 OR, 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 Remuneration Committee is elected by and reports to the Annual General Meeting.

The **Audit 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 may sit on the Audit Committee, which receives the reports from the various control functions (such as the external auditors, Internal Audit, Compliance and Risk Management).

Meetings of the Board of Directors and its committees

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

The full Board of Directors of Bâloise Holding Ltd met on six occasions in 2022. 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 20 committee meetings. This means that the Board of Directors achieved an overall meeting atten-dance rate of 100 per cent. Meetings of the Board of Directors usually last a full working day, while the meetings of its committees last either half a working day or a full working day.

The Strategy and Governance Committee convened eight times in 2022, which included one two-day strategy meeting. The Investment and Risk Committee met on four occasions. The Audit Committee held five meetings, and the Remuneration Committee convened three times.

Meetings of the Board of Directors are regularly attended by members of the Corporate Executive Committee. Meetings of the Strategy and Governance Committee are usually attended by the Group CEO and the Head of Corporate Division Finance. Those present at Audit Committee meetings are the Head of Corporate Division Finance, the Head of Group Internal Audit and, occasionally, representatives of the external auditors and the heads of control functions such as Risk Management and Compliance. The main attendees at Remuneration Committee meetings are the Group CEO, the Head of Group Human Resources and the Head of Compensation and Benefits. Meetings of the Investment and Risk Committee are usually attended by the Group CEO and the heads of Corporate Division Asset Management, Asset Strategy and Investment Control, Corporate Division Finance and Group Risk Management. The Secretary to the Board of Directors attends all meetings of the full Board of Directors and those of its committees.

Self-evaluation

Every year, a comprehensive self-evaluation is carried out in the full Board of Directors and in all committees. The results are then discussed in each body.

Training and development

The members of the Board of Directors participate in a multi-day introductory programme in preparation for a new role on the board and/or committee and then receive ongoing training (at least once a year) in half-day seminars on specific topics. In 2022, two long-serving members stepped down from the Board of Directors. The resulting changes in the committees necessitated a number of introductory programmes for the new committee chairmen and members. Two seminars were held for the Board of Directors on cyber security and IFRS Accounting Standards 17/9.

Succession planning

There are changes to the Board of Directors on an ongoing basis. Succession planning is the responsibility of the Strategy and Governance 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 38). Any restrictions on availability and potential conflicts of interest rising from other mandates are also taken into account.

The election of Maya Bundt and Claudia Dill to the Board of Directors by the Annual General Meeting in April 2022 replaced and strengthened the expertise in insurance, IT and digitalisation called for by the Strategy and Governance Committee and increased 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 Organisational Regulations are reviewed on an ongoing basis and updated as changing circumstances require. As a result of the company law reform that came into effect on 1 January 2023, amendments to the Articles of Association will be requested at the Annual General Meeting on 28 April 2023. The Board of Directors will then amend the Organisational Regulations in accordance with the changes to the Articles of Association.
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 27 onwards and in the Financial Report starting on page 123.

The members of the Board of Directors have access to the minutes of all meetings 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 April 2021. Until 2019, he was Chairman of the Boards 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 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.

Christoph Mäder (1959, Switzerland, lawyer)
has sat on the Board of Directors since 2019 and has been Vice-Chairman since May 2022. 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 Boards 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.

Maya Bundt (1971, Germany/Switzerland, Dr sc. nat. ETH Zurich, geoecologist)
has been a member of the Board of Directors since April 2022. She has worked for the reinsurance company Swiss Re in a variety of roles, including heading the Cyber & Digital Solutions department and holding the functions as Cyber Practice Leader and chair of the Swiss Re Cyber Council. Before joining Swiss Re, Maya Bundt spent three years working for the Boston Consulting Group as a strategy consultant in a variety of sectors. She sits on the Boards of Directors of Valiant Bank AG and APG SGA AG as an independent member. She is an independent non-executive director.

Claudia Dill (1966, Switzerland, economist, MBA)
has sat on the Board of Directors since April 2022. From 1999 to 2020, she worked for the Zurich Insurance Group in a range of managerial positions in Zurich, New York and São Paulo, including as CFO for internal reinsurance and the reinsurance run-off unit, CFO for European business and COO for the property insurance business. In her most recent role as a member of the Corporate Executive Committee, she was responsible for the Latin American market. Before working for Zurich, Claudia Dill worked for Credit Suisse, Deutsche Bank, Commerzbank, and Coopers and Lybrand.
Until March 2022, she was an independent member of the Board of Directors of Nordea Bank Abp. Claudia Dill is a member of the Boards of Directors of Credit Suisse (Switzerland) AG and Juno BidCo NV, trading as Intix. She 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 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. He 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 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 Boards of Directors of Banque Degroof Petercam in Luxembourg and Febelfin vzw/asbl, Brussels, 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). He 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 SV Group AG since 2017 and Chair of the Board of Directors and of the staff pension fund of Zürcher Oberland Medien AG since 2015. She is a member of the Boards of Directors of Bank Linth LLB AG and 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 the Zurich 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. She 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 Boards of Directors of Barry Callebaut AG and Orior AG. He is a member of the Boards of Directors of Galenica AG and Jacobs Holding AG. Dr Markus R. Neuhaus is also Vice-President of Avenir Suisse and of the Zurich Chamber of Commerce, and a member of the Board of Foundation of the ETH Foundation. He is an independent non-executive director.

Hans-Jörg Schmidt-Trenz (1959, Germany, Prof. Dr rer. pol., economist) 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. Since 2022 he has been Vice-Chair of the World Chamber Federation of the International Chamber of Commerce (ICC). 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 a member of the Board of Trustees of the Hamburg Academic Foundation, Chairman of the Board of Trustees of the Tafel foundation of Hamburg-Schleswig-Holstein and managing director of STconnect GmbH. He 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 (Niederer Kraft Frey since 1 January 2023) 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 Boards 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. She 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 Boards 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 (Germany) and East Anglia (UK) before completing his doctorate at the University of Tübingen's faculty of geosciences. Dr Alexander Bockelmann is a proven expert in IT 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, where he was CIO. 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 as head of the newly created Corporate Division IT, the position he has held ever since. He is a member of the Steering Committee of the Swiss FS-CSC association.

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 at Baloise 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. He has been treasurer of the Swiss Employers Confederation since the end of June 2022.

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 Baloise in Switzerland. Dr Carsten Stolz has been Head of Corporate Division Finance since May 2017 and is a member of the Corporate Executive Committee. He is an executive director at creace GmbH and 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 2022)

* Member of the Corporate Executive Committee.

Events after the balance sheet date

Gert De Winter has decided to step down as Group CEO this summer. The Board of Directors of Bâloise Holding Ltd has appointed Michael Müller (52) to replace him with effect from 1 July 2023. Michael Müller is currently Head of Corporate Division Switzerland. The process to find his successor has already begun.

5. Remuneration, shareholdings and loans

The Remuneration Report in **Appendix 1** to the Corporate Governance Report (page 53 onwards) describes the remuneration policies adopted and the remuneration system in place, and contains in particular the remuneration paid and the loans granted to members of the Board of Directors and the Corporate Executive Committee in 2022 as well as the investments they hold. The content and scope of these disclosures are determined by articles 734 to 734f OR, the corporate governance information guidelines published by SIX Swiss Exchange AG (version as at 29 June 2022) and economisuisse's 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 77 onwards).

6. Shareholder participation rights

Voting rights

The share capital of Bâloise Holding Ltd 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 person (as defined in article 5 of the Articles of Association) 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. A motion will be submitted to the Annual General Meeting on 28 April 2023 proposing that shareholders be allowed to delegate the exercise of their voting rights to the independent proxy and, in a change to the current rules, to persons of their choosing rather than just to other shareholders. When exercising voting rights, no person (with the exception of the independent proxy) 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 or create exemptions from 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 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 Ltd's financial year ends on 31 December. The Annual General Meeting is convened at least 20 days before the date of the meeting. All registered shareholders receive a personal invitation, which includes the agenda. The invitation and the agenda are published in the Swiss Official Gazette of Commerce 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 5 per cent of the share capital or the votes.

Requesting agenda items

The statutory provisions concerning shareholder requests to place items on the agenda were changed as a result of the company law reform that came into effect on 1 January 2023. Accordingly, the Annual General Meeting on 28 April 2023 will be asked to update article 14 of the Articles of Association. Shareholders representing at least 0.5 per cent of the share capital or votes will now be able to demand that items be placed on the agenda or motions submitted. As before, 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 agenda item and the motion to be put to the Annual General Meeting (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 more than 33 1/3 per cent of all Baloise shares. Bâloise Holding Ltd has not made any use of the option to deviate from or waive this regulation. There is no statutory opting-out clause or opting-up clause as defined by the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FinfraG).

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

8. External auditors

The external auditors are elected annually by the Annual General Meeting. Ernst & Young AG (EY), Basel, has been the external auditing firm for Baloise 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

	2021	2022
CHF (including outlays and VAT)		
Audit fees	5,025,285	6,489,699
Consulting fees	48,369	27,342
Total	**5,073,654**	**6,517,041**

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).

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 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 Committee. The Audit 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 Committee reviews the scope of the audit and suggests areas that require special attention. The Audit Committee reviews the external auditors' fees, their independence and the quality of the service.

9. Information policy

Information principles

Baloise 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 media 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 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 40 of the Annual Review.
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 invitation to the Annual General Meeting, 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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Remuneration Report

Letter from the Chairman of the Remuneration Committee

Dear shareholders,

I took over the role of Chairman of the Remuneration Committee at the Annual General Meeting at the end of April 2022. Now, I am delighted to present to you the first remuneration report of my tenure and to inform you about the activities of the Remuneration Committee in the reporting year.

At the 2022 Annual General Meeting, a binding vote was held on the maximum total remuneration for the Board of Directors and the Corporate Executive Committee, and an advisory vote was held on the remuneration report, in order to give our shareholders the opportunity to express their opinion of our remuneration policies. The shareholders approved the proposed remuneration figures for the Board of Directors and the Corporate Executive Committee with a large majority. In contrast, the advisory vote on the remuneration report returned an approval rate of 79.3 per cent.

This result prompted us to engage in a dialogue with our investors and shareholder representatives in order to gain a better understanding of their reservations about our remuneration policies. I personally participated in a number of these conversations. The Remuneration Committee used the insights gained during this process in order to implement measures to improve our remuneration system and our disclosure practices.

An overview of the outcomes of these improvement measures is provided on the next three pages of this report. It summarises the issues raised by our dialogue partners along with information on how the Remuneration Committee addressed each of them.

The structure of the remuneration report was also improved as a result of this review process. It has now been subdivided into a 'static' and a 'dynamic' part. Chapter 7 gives the reader direct access to the remuneration data for the reporting year. Chapters 3 to 6 describe our remuneration governance and principles and the remuneration systems for the Board of Directors and the Corporate Executive Committee in more general terms, without reference to the actual remuneration paid in any specific year.

As announced in the 2021 remuneration report, the short-term variable remuneration model was simplified significantly with effect from 2022 and aligned more closely with the Company's strategic objectives. The 2022 remuneration report provides the first comprehensive explanation of the new, simplified performance pool (see page 63). The model is centred on the cash remittance into Bâloise Holding, which also forms the basis for the distributions to shareholders, and on four supplementary performance quality metrics: strategic customer targets, employee targets, a sustainability assessment and an integral risk assessment.

The report also explains which factual criteria were applied by the Remuneration Committee in its determination of the performance pool factor (see page 71).

These are just two examples of the changes that the Remuneration Committee has adopted in the reporting year. We are confident that the improved transparency and clearer structure will meet the expectations of our shareholders.

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

Basel, March 2023

Christoph Mäder
Chairman of the Remuneration Committee

1. Shareholder engagement

At the 2022 Annual General Meeting, the remuneration report received an approval rate of 79.3 per cent. The Baloise Group used this as an opportunity to enter into a dialogue with institutional shareholders and proxy advisors in order to understand and address their concerns. The shareholders raised concerns about certain aspects of the remuneration systems for the Corporate Executive Committee and the Board of Directors and our reporting on these systems. A summary of the issues raised and the responses to each is provided below.

Disclosure of remuneration

Shareholder concerns	Response from Baloise
Determination of the performance pool: The process for the determination of the performance pool (concept, performance targets and results) is not explained in sufficient detail.	We have improved the disclosure significantly by providing a more detailed description of the performance pool mechanism. This includes information on financial and non-financial key performance indicators of relevance to the determination of the performance pool and the reasons why these KPIs were selected. In order to further increase transparency, we have also decided to disclose the medium-term target linked to each KPI, as well as information on the progress made towards each target in the reporting year and the impact of this progress on the performance pool for the Corporate Executive Committee. Illustrations were added to make the performance pool mechanism easier to understand.
Performance pool allocation: The way in which the performance pool is allocated across the members of the Corporate Executive Committee and the extent of discretion used in the process are not made transparent.	Personal performance pool payments are allocated to the individual members of the Corporate Executive Committee by means of a formalised process that is based on predefined performance targets for teams and individuals. This report provides more detailed information on the performance pool allocation process and its outcomes in the reporting year.
Disclosure of short-term variable remuneration (STI) shares at the purchase price: The STI shares awarded to the Corporate Executive Committee and the restricted shares granted to the Board of Directors are stated at their discounted value in the remuneration tables.	Disclosure of the allocations of restricted shares to members of the Corporate Executive Committee and members of the Board of Directors is now based on the market value of the shares.

Shareholder concerns	Response from Baloise
Remuneration mix: Too much emphasis is placed on short-term remuneration.	Although the amount of short-term variable remuneration paid is based on annual performance, members of the Corporate Executive Committee receive at least 50 per cent of their short-term variable remuneration (a high proportion compared with industry peers) in the form of deferred shares that are subject to a three-year closed period during which they are exposed to the usual share price volatility. When also taking long-term variable remuneration into account, the members of the Corporate Executive Committee receive an expected proportion of 70 per cent of their total variable remuneration in the form of deferred shares or prospective entitlements, while only 30 per cent is paid out directly in cash. The high proportion of remuneration in shares (including prospective entitlement) sharpens the focus on shareholder interests and underlines the long-term orientation of the remuneration system. We will review the weighting of long-term variable remuneration in 2023.
Long-term variable remuneration (LTI): LTI is based on just one vesting condition, the relative total shareholder return (TSR).	The relative TSR measures the company's ability to achieve higher returns for its shareholders than peer companies. Consequently, this vesting condition is strongly focused on shareholder interests because executive remuneration is tied directly to the return for shareholders. We will review the vesting conditions for long-term variable remuneration in 2023.
Payment of LTI: If the relative performance level is below the median of the peer group, the LTI payment may be reduced to a partial payout.	Our remuneration philosophy follows an approach under which a market-typical level of remuneration is paid for performance that is in line with expectations (i.e. 100 per cent attainment). Baloise's aim is to design incentive plans with an appropriate amount of scalability (no 'all or nothing' plans). This means that a small payment can still be made even if performance fell short of the agreed targets. Baloise thus recommends a partial payout if the performance at least exceeds the first quartile of the relevant peer group. By contrast, remuneration for outstanding performance should be capped at 200 per cent. This concept strikes a healthy balance between the Company's pay-for-performance philosophy and its obligation to use sustainable remuneration programmes that do not provide inappropriate incentives. The statistical probability of a median performance is 50 per cent. Making a median performance level the threshold for any payout would therefore mean that no payment would be awarded under the incentive plan in 50 per cent of all cases.

Shareholder concerns	Response from Baloise
Policy on share ownership: Performance share units (PSUs) are taken into account in mandatory share ownership compliance checks.	Baloise introduced mandatory share ownership requirements in 2018 in order to align the interests of executives more closely with the interests of shareholders. Currently, PSUs that have not yet been converted still count towards the shares owned by a member of the Corporate Executive Committee. This practice has drawn criticism. Going forward, PSUs that have been awarded but are as yet unvested will not be taken into account for the purposes of compliance with mandatory share ownership rules, because these shares have not been converted. In addition, the minimum share ownership requirement for the Group CEO will be raised to 300 per cent of their annual basic salary. This new policy applies with effect from 2023 and the new requirements must be met within a period of five years.
Reductions of variable remuneration (malus) and clawback provisions: Events prompting clawbacks are not dis closed to a satisfactory level.	Baloise has decided to add expiry and clawback provisions to the short-term variable remuneration plan and to supplement the existing expiry provisions of the long-term variable remuneration plan with clawback provisions. In the event of a restatement due to a material breach of applicable financial reporting standards or an incident of misconduct on the part of an individual, the new provisions will enable the Remuneration Committee to reduce future variable remuneration elements (malus) or claw back payments that have already been made. For the members of the Corporate Executive Committee, these provisions will apply to short-term and long-term remuneration components granted in 2023.
Annual General Meeting: In respect of the long-term variable remuneration plan, shareholders can vote on the value of the allocation, not on the maximum payment upon conversion.	The variable remuneration amount presented for shareholders to vote on represents the maximum possible payout under the short-term variable remuneration plan and the maximum allocation value under the long-term variable remuneration plan for the Corporate Executive Committee. This approach is in line with the disclosures made in the remuneration report, which comprise the actual payout under the short-term variable remuneration plan for the reporting year and the value of the allocation granted in the reporting year under the long-term variable remuneration plan. By choosing an approach that is aligned with the disclosures made in the remuneration report, we ensure that shareholders can directly compare the remuneration amount they approved with the remuneration amount that was actually paid out and reported. In the remuneration report, we also disclose the maximum multiplier for the long-term variable remuneration plan in the year of allocation, the multiplier achieved in the year in which the awarded shares vest, and the gain in value of each plan upon vesting (including share price performance). Moreover, the remuneration report is presented to the shareholders for an advisory vote at the Annual General Meeting. This vote is a useful opportunity for shareholders to express their opinion on the remuneration policies and programmes.

2. Overview of remuneration

Remuneration system for the Board of Directors

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 below. These amounts provide appropriate compensation for the responsibility and workload involved in their various functions and have not been raised since 2008.

Board of Directors' fees and mandatory share ownership

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

1 The share elements of the fee are blocked for three years, the 1,000 mandatory shares until resignation.

Remuneration paid to the members of the Board of Directors for the reporting year

The Annual General Meeting held on 30 April 2021 approved an amount of CHF 3.4 million for the remuneration (including social security contributions and Share Subscription Plan discount) payable to the Board of Directors for 2022. The amount paid out was CHF 3.4 million.

Remuneration system for the Corporate Executive Committee

Members of the Corporate Executive Committee of the Baloise Group receive fixed remuneration and variable remuneration that comprises a short-term component (performance pool) and a long-term component (performance share units, PSUs). At least 50 per cent of short-term variable remuneration is awarded in shares. PSUs under the long-term variable remuneration plan are prospective entitlements to shares that are either converted and definitively allocated after three years or expire at this point, depending on whether or not the performance requirement has been met.

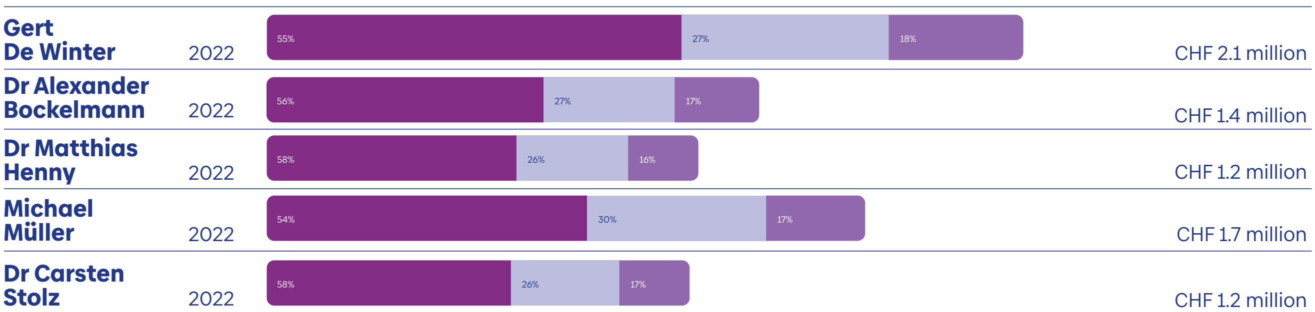
These elements ensure that remuneration is competitive and reflective of performance. They also incentivise recipients to achieve ambitious targets while simultaneously emphasising the importance of sustainable management practices. In addition, they strengthen the Company's ability to retain high performers and to align their interests with those of stakeholder groups, particularly the shareholders.

All elements of Corporate Executive Committee remuneration are determined individually by the Remuneration Committee in keeping with the maximum amounts approved by the Annual General Meeting.

	Description	Purpose
Fixed remuneration	• Basic salary • Fringe benefits • Social security contributions	• Competitiveness in the marketplace • Fairness and transparency • Financial hedging
Short-term variable remuneration	• Performance pool • Paid in cash and 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

Remuneration paid to the members of the Corporate Executive Committee for the reporting year

The Annual General Meeting held on 30 April 2021 approved an amount of CHF 4.0 million for the fixed remuneration (including social security contributions) payable to the Corporate Executive Committee for 2022. The amount paid out was CHF 4.0 million. In addition, the Annual General Meeting held on 29 April 2022 approved a maximum amount of CHF 4.8 million for the variable remuneration (including social security contributions and discounted subscriptions under the Share Subscription Plan) payable for 2022. The total amount paid out was CHF 3.6 million. The chart below shows the remuneration of the individual members of the Corporate Executive Committee for 2022 and the breakdown by remuneration component.



■ Fixed (includes basic salaries, non-cash remuneration and employer contributions to the state-run social security schemes and the occupational pension scheme)

■ Short-term variable remuneration (includes payments from the performance pool in shares and cash)

■ Long-term variable remuneration (includes allocations of shares)

3. Governance

Remuneration-related provisions in the Articles of Association

Article 31 of the Articles of Association of Bâloise Holding Ltd defines the approval process for the remuneration of members of the Board of Directors and the Corporate Executive Committee. The process involves separate approvals of:

- the total amount of remuneration for the Board of Directors for the next financial year;
- the total amount of fixed remuneration for the Corporate Executive Committee for the next financial year;
- the maximum amount of variable remuneration payable to the Corporate Executive Committee for the current financial year.

The Articles of Association of Bâloise Holding Ltd also stipulate the applicable remuneration principles and include the following provisions:

- mandatory share ownership rules for the Board of Directors (Article 20)
- term of remuneration contracts (Article 29)
- additional amount for the remuneration paid to Corporate Executive Committee members appointed since the last Annual General Meeting (Article 30)
- principles of variable remuneration (Article 32)
- loans and credit facilities (Article 34)

www.baloise.com/en/home/investors/shareholders/articles-ofassociation

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 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 paid is demonstrably dependent on the Company's sustained success and individuals' personal contributions and does not create any false 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 members of the Board of Directors or the Corporate Executive Committee may not be granted severance packages and may be granted an inducement payment only in order to offset a verifiable financial disadvantage).

The Remuneration Committee consists of at least three members of the Board of Directors, who are elected every year by the Annual General Meeting. Christoph Mäder (Chairman), Prof. Dr Hans-Jörg Schmidt-Trenz (Deputy Chairman), Christoph Gloor and Dr Karin Lenzlinger Diedenhofen were elected to the Remuneration Committee by the Annual General Meeting on 29 April 2022. The Remuneration Committee maintains a regular dialogue with senior management throughout the year and meets at least three times per year. 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.

Approval structure

	Group CEO	Chairman of the Board of Directors	Remuneration Committee	Board of Directors	Annual General Meeting
Remuneration policies			Proposal	Approval	
Maximum total remuneration for the Board of Directors and the Corporate Executive Committee			Proposal	Review	Approval (binding vote)
Remuneration for the Chairman of the Board of Directors			Proposal	Approval	
Remuneration for the Group CEO		Proposal	Approval		
Remuneration for the Corporate Executive Committee	Proposal		Approval		
Remuneration report			Proposal	Approval	Advisory vote

4. Remuneration principles

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.

Competitiveness in the marketplace
Baloise aims to pay basic salaries that are broadly in line with the market, i.e. around the market median. Total remuneration should exceed the market median 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. In 2021, Baloise participated in Willis Towers Watson's standard survey on executive compensation. As surveys of this type cover a wide spectrum of companies, the peer group used to benchmark the remuneration for the Corporate Executive Committee is broad-based and includes companies from outside the financial sector.

In 2022, a market analysis of executive remuneration structures was carried out with support from PwC. Two peer group data sets were used for this purpose. One set comprised 26 SMIM companies, namely Adecco, Bachem, BB Biotech, Clariant, EMS, Galenica, Kühne + Nagel, PSP, SIG Combibloc, Straumann, Swiss Prime Site, Temenos, Zur Rose, ams, Barry Callebaut, Cembra, Dufry, Flughafen, Georg Fischer, Julius Baer, Lindt, Schindler, Sonova, Swatch, Tecan and VAT (cross-sectoral peer group), while the other comprised listed Swiss companies, namely Helvetia, Swiss Life, Swiss Re and Zurich Insurance (insurance peer group).

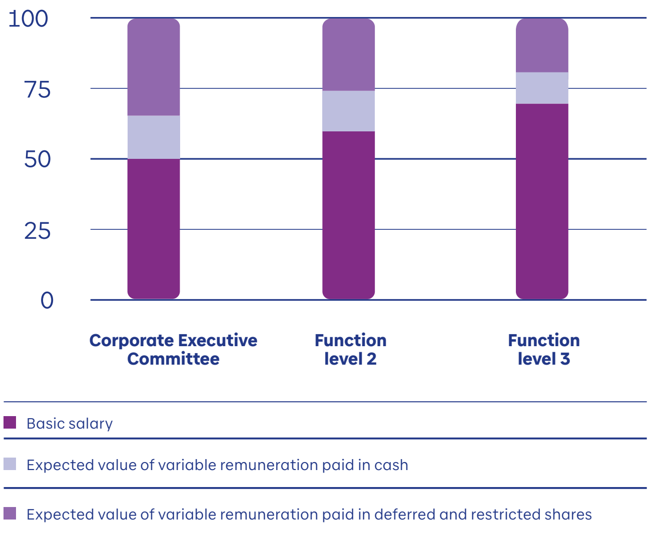
Individual performance and the Company's success
As a performance-driven organisation, Baloise always maintains a clear and transparent link between the Company's strategic targets, team targets and the targets of individual employees. The amount of short-term variable remuneration is influenced by the 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 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.

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

Remuneration structure of the three most senior function levels



5. Remuneration system for the Board of Directors

The members of the Board of Directors receive fixed remuneration for their service as members of the board. 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 fee of CHF 1,300,000. He is not entitled to any variable remuneration. The tasks of the Chairman are described in more detail in the corporate governance report (pages 42 & 43).

All other members of the Board of Directors receive CHF 125,000. The Vice-Chairman of the Board of Directors receives an additional fee of CHF 50,000. The additional fee for the chair of a committee is CHF 70,000, while committee members receive an additional fee of CHF 50,000.

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.

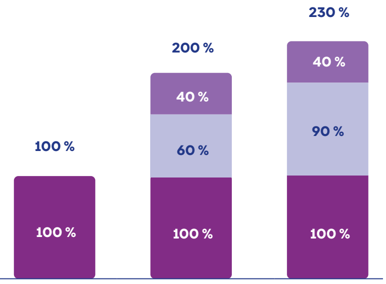
These amounts provide appropriate compensation for the responsibility and workload involved in their various functions and have not been raised since 2008.

One-third (Chairman) or one-quarter (other members) of the annual remuneration is awarded in the form of shares that remain restricted for three years. The subscription price is based on the closing price on the first trading day in June, on which the same 10 per cent discount is granted as on shares under the Share Subscription Plan.

	Relevant closing price	
	as at	**CHF**
Shares received by members of the Board of Directors 2022	01.06.2022	161.70
Shares received by members of the Board of Directors 2021	01.06.2021	149.10

6. Remuneration system for the Corporate Executive Committee

Remuneration structure



	Minimum remuneration	Expected value	Maximum remuneration
Basic salary	100%	100%	100%
Short-term variable remuneration (performance pool)	0%	60%	90%
Long-term variable remuneration (PSU, value at allocation)	0%	40%	40%
Mandatory share ownership	**Shares equivalent to 200% (300% for the Group CEO) of the basic salary (within five years of taking office)**		

Basic salary

The basic salary constitutes the level of remuneration that is commensurate with the functions and responsibilities of the position concerned. 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.

Short-term variable remuneration: performance pool

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 members of the Corporate Executive Committee and other eligible employees in a measure that reflects the extent to which their achievements in the preceding year have contributed to achieving the Company's targets and satisfying the interests of shareholders.

Members of the Corporate Executive Committee and employees at senior management level are eligible for performance pool payments.

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.

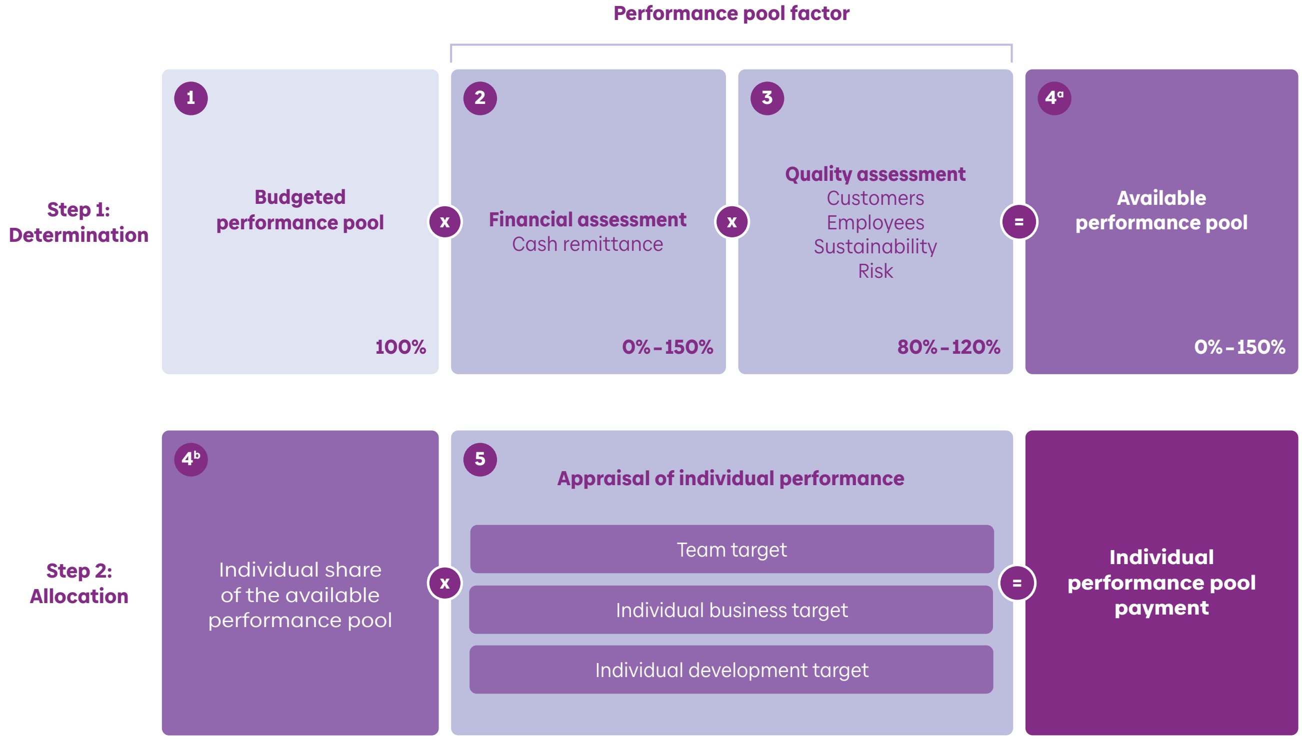
Those entitled to receive short-term variable remuneration generally have a choice as to what percentage of their remuneration is paid out and what proportion they receive in the form of shares with a closed period of three years (see the 'Share Subscription Plan' section of this chapter). This choice is limited for senior managers, who are obliged to subscribe for shares on a sliding-scale basis. 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, a significant proportion of their remuneration is granted in the form of deferred shares. The expectation is that deferred shares make up 70 per cent of variable remuneration, which equates to 35 per cent of total remuneration (see chart on page 68).

The Remuneration Committee decides on the short-term variable remuneration awarded to the individual members of the Corporate Executive Committee from the available performance pool. It uses team targets as well as personal performance and development targets as a basis for these decisions. Team targets are used to assess collaboration across business units and national subsidiaries, and across all functions and departments. The quantitative targets include the achievement of the 2022 business plan of the Baloise Group and the achievement of milestones for strategic goals regarding employee satisfaction, growth of the customer base, and the cash remittance to Bâloise Holding Ltd. The qualitative targets relate to the successful launch of strategic initiatives.

The allocation is based on proposals submitted to the Remuneration Committee by the Chairman of the Board of Directors for the Group CEO and by the Group CEO for the other members of the Corporate Executive Committee. The Committee discusses each individual member, assessing their performance during the year under review and any changes compared with the prior year.

Short-term variable remuneration is measured on the basis of the performance pool factor. The Remuneration Committee determines the performance pool factor for the preceding year. To this end, the Committee systematically analyses the achievement of targets using the following indicator model.

Indicator model, performance assessment and the resulting allocation of individual short-term variable remuneration



1 Budgeted performance pool:
Total sum of basic salary paid to the Corporate Executive Committee multiplied by the expected value of 60 per cent.

2 Financial assessment:
The financial assessment is based on the cash remittance to Bâloise Holding Ltd. 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. The target achievement rate for the financial assessment is capped at 150 per cent.

3 Quality assessment:
In addition to the assessment of financial performance, the quality of the results is assessed on the basis of four strategic key factors – employee satisfaction, the sustainability strategy, risk management and the growth of our customer base. The Company's performance in these areas is evaluated annually, using medium-term ambitions as the benchmark. The result of this quality-focused assessment (80–120 per cent) is multiplied by the result of the financial assessment.

4a Available performance pool:
The Remuneration Committee reviews and approves the final size of the performance pool based on the aforementioned factors. The available performance pool is capped at 150 per cent of the budgeted performance pool. If the performance pool factor is set at 100 per cent, this means that the targets have been met and short-term variable remuneration will be allocated.

5 Assessment of individual performance and determination of personal performance pool allocations:
The Remuneration Committee discusses and evaluates the performance of each member of the Corporate Executive Committee in the relevant year under review on the basis of a shared team target and individual performance and development targets. This provides the Committee with a clear framework and a structured process within which it can use its discretion to make well-founded decisions. The allocation from the available performance pool (see 4b in the chart) to each member of the Corporate Executive Committee is determined in accordance with the appraisal of their individual performance.

Long-term variable remuneration: performance share units
The aim of long-term variable remuneration is to strengthen senior managers' loyalty to the Baloise Group and align the interests of senior management with the interests of stakeholder groups such as the shareholders. 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 within the STOXX Europe 600 Insurance Index (see table below).

Companies in the STOXX Europe 600 Insurance Index (as at 31 December 2022)

ADMIRAL GRP	BALOISE	LEGAL & GENERAL GRP	SCOR
AEGON	BEAZLEY	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

One PSU generally represents an entitlement to one Baloise 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 scenario, 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 PSUs are converted into shares and the prospective entitlements expire. Consequently, the performance multiplier increases on a linear basis from the bottom quartile upwards from 0.5 to 2.0 (see page 72).

The performance multiplier is based on the closing stock market prices on the final trading day, taking account of dividends paid.

Participants receive the pertinent number of shares once the three-year vesting period has elapsed.

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. If the employment contract ends due to termination, the Remuneration Committee can, at its discretion, apply a 'good leaver' procedure which means that only a proportion of awarded PSUs expire. 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 (malus provision).

Share Subscription 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. Through the Share Subscription Plan, they can subscribe to dividend-bearing shares with a closed period of three years at a preferential price (10 per cent discount). The terms of the Share Subscription Plan are defined by the Remuneration Committee.

In order to simplify the remuneration model for the Corporate Executive Committee, the previous Share Participation Plan was discontinued with effect from 2022. The last allocation of shares under this plan was made in the spring of 2022 to award variable remuneration for 2021. Detailed information on this plan can be found in the 2021 remuneration report.

Mandatory share ownership rules for the Corporate Executive Committee

Each member of the Corporate Executive Committee is required to hold at least 200 per cent of their basic salary – or 300 per cent in the case of the Group CEO – in free float or restricted shares within a period of five years from the start of their term of office. From 2023, awarded but as yet unvested PSUs will not be taken into account for the purposes of compliance with mandatory share ownership rules, because they have not been converted. In addition, the minimum share ownership requirement for the Group CEO has been raised to 300 per cent of their annual basic salary. This new policy applies with effect from 2023 and the new requirements must be met within a period of five years.

Reductions of variable remuneration (malus and clawback provisions)

In the event of a restatement due to a material breach of applicable financial reporting standards or an incident of misconduct on the part of an individual, the Remuneration Committee may recalculate the allocation of short-term variable remuneration and use its discretion to reduce outstanding remuneration entitlements or let a proportion of allocated but as yet unvested PSUs expire (malus) for members of the Corporate Executive Committee. The Remuneration Committee may also demand that an amount of variable remuneration that has already been disbursed be paid back in part or in full by the members of the Corporate Executive Committee and/or that vested shares awarded in previous vesting periods be returned to the Company without consideration or compensation (clawback).

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 that do not compensate a demonstrable loss of entitlement to remuneration are not allowed. Any offsetting payments of this nature made at the start of an employment contract must be approved by the Remuneration Committee irrespective of the amount payable.

7. Remuneration for the reporting year

A. Remuneration paid to the members of the Board of Directors

The Annual General Meeting held on 30 April 2021 approved an amount of CHF 3.4 million for the remuneration (including social security contributions and Share Subscription Plan discount) payable to the Board of Directors for 2022. The amount paid out was CHF 3.4 million.

Remuneration paid to the members of the Board of Directors

2021	Basic fee	Fee for additional functions	Total remune-ration	Share Subscrip-tion Plan discount	Social security contri-butions	Total	Of which: in shares
CHF thousand							
Dr Thomas von Planta			941.7	36.0	10.5	988.2	343.5
Chairman of the Board of Directors (since 1 May 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	6.1	–	446.1	110.0
Chairman of the Board of Directors		–					
Dr Andreas Beerli	125.0		295.0	8.6	–	303.6	82.3
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	6.6	6.2	237.8	62.8
Investment Committee		50.0					
Audit and Risk Committee		50.0					
Hugo Lasat	125.0		175.0	5.1	–	180.1	48.8
Investment Committee		50.0					
Christoph Mäder	125.0		175.0	5.1	6.2	186.3	48.8
Remuneration Committee		50.0					
Dr Markus R. Neuhaus	125.0		208.3	6.1	6.2	220.6	58.1
Remuneration Committee (since 1 May 2021)		33.3					
Audit and Risk Committee		50.0					
Dr Karin Lenzlinger Diedenhofen (since 1 May 2021)	83.3		116.7	3.4	5.8	125.9	32.5
Investment Committee		33.3					
Thomas Pleines	125.0		245.0	7.2	5.0	257.1	68.3
Chair of the Remuneration Committee		70.0					
Chairman's Committee		50.0					
Prof. Dr Hans-Jörg Schmidt-Trenz	125.0		175.0	5.1	–	180.1	48.8
Remuneration Committee		50.0					
Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen	125.0		225.0	6.6	6.2	237.8	62.8
Audit and Risk Committee		50.0					
Chairman's Committee (since 1 May 2021)		33.3					
Remuneration Committee (until 30 April 2021)		16.7					
Total for the Board of Directors	**2,431.7**	**790.0**	**3,221.7**	**95.9**	**46.1**	**3,363.6**	**966.6**

Explanatory notes to the table
As of 2022, the value of subscribed shares is stated at the market price. The disclosure of remuneration for 2021 has been adjusted accordingly. As a result of the fact that this report uses the closing price on 1 June 2022 (compared with the closing price on 31 May 2021 in the 2021 remuneration report), the reported total for the Board of Directors has increased by CHF 4,907. This is attributable exclusively to the adjusted valuation of the shares. **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 April 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. 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).

Remuneration paid to the members of the Board of Directors

2022	Basic fee	Fee for additional functions	Total remune-ration	Share Subscrip-tion Plan discount	Social security contribu-tions	Total	Of which: in shares
CHF thousand							
Dr Thomas von Planta	1,300.0		1,300.0	44.3	12.5	1,356.8	477.5
Chairman of the Board of Directors							
Christoph Mäder	125.0		255.0	6.5	6.2	267.7	70.2
Vice-Chairman of the Board of Directors (since 30 April 2022)		33.3					
Remuneration Committee (Member until 29 April 2022, Chair since 30 April 2022)		63.3					
Strategy and Governance Committee (since 30 April 2022)		33.3					
Dr Maya Bundt (since 30 April 2022)	83.3		116.7	3.0	5.8	125.5	32.0
Audit Committee		33.3					
Claudia Dill (since 30 April 2022)	83.3		116.7	3.0	5.8	125.5	32.0
Investment and Risk Committee		33.3					
Christoph B. Gloor	125.0		225.0	5.7	6.2	236.9	61.9
Investment and Risk Committee		50.0					
Audit Committee (until 29 April 2022)		16.7					
Remuneration Committee (since 30 April 2022)		33.3					
Hugo Lasat	125.0		175.0	4.5	–	179.5	48.2
Investment and Risk Committee		50.0					
Dr Karin Lenzlinger Diedenhofen	125.0		175.0	4.5	6.2	185.7	48.2
Investment and Risk Committee (until 29 April 2022)		16.7					
Remuneration Committee (since 30 April 2022)		33.3					
Dr Markus R. Neuhaus	125.0		238.3	6.1	6.2	250.6	65.7
Audit Committee (Member until 29 April 2022, Chair since 30 April 2022)		63.3					
Strategy and Governance Committee (since 30 April 2022)		33.3					
Remuneration Committee (until 29 April 2022)		16.7					
Prof. Dr Hans-Jörg Schmidt-Trenz	125.0		208.3	5.3	–	213.7	57.4
Remuneration Committee		50.0					
Audit Committee (since 30 April 2022)		33.3					
Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen	125.0		225.0	5.7	6.2	236.9	61.9
Strategy and Governance Committee		50.0					
Audit Committee		50.0					
Dr Andreas Beerli (until 29 April 2022) [1]	41.7		98.3	2.5	–	100.8	27.0
Vice-Chairman of the Board of Directors		16.7					
Chair of the Audit Committee		23.3					
Strategy and Governance Committee		16.7					
Thomas Pleines (until 30 April 2022)	41.7		81.7	2.1	3.1	86.8	22.5
Chair of the Remuneration Committee		23.3					
Strategy and Governance Committee		16.7					
Total for the Board of Directors	**2,425.0**	**790.0**	**3,215.0**	**93.2**	**58.2**	**3,366.4**	**1,004.5**

Explanatory notes to the table
1 Prior to 2012, newly elected members of the Board of Directors only received six months' pay in the first calendar year. Remuneration for the first two months following election to the Board of Directors (May and June) was only paid following their departure. Dr Beerli was elected in 2011 and thus received remuneration totalling CHF 42,099 following his departure as remuneration for his first two months in the role in 2011. Since 2012, newly elected members of the Board of Directors receive a fee for the full eight months of their first calendar year and in the year of their resignation they are paid for just four months. **Social security contributions:** The information disclosed for 2022 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 Chairman of the Board of Directors, who 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. Shares are stated on the basis of the closing price on 1 June 2022 (CHF 161.70)

Amounts receivable and remuneration on a non-arm's-length basis

No remuneration on a non-arm's-length basis was paid to former members of the Board of Directors or 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 current or former members of the Board of Directors or any of the aforementioned persons or companies have been waived. No remuneration was paid to former members of the Board of Directors.

B. Remuneration paid to the members of the Corporate Executive Committee

Remuneration for 2022

The actual level of remuneration paid to the Corporate Executive Committee is determined in accordance with the table below.

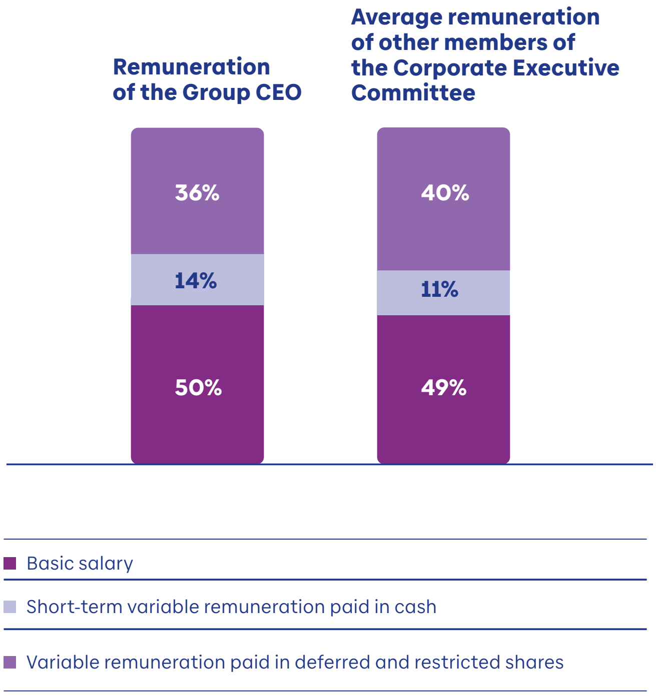
Type of remuneration	Determined by
Fixed remuneration for 2022	2021 Annual General Meeting
Variable remuneration for 2022	
– cap	2022 Annual General Meeting
– individual payment	Remuneration Committee in February 2022 for long-term variable remuneration and in February 2023 for short-term variable remuneration (in compliance with the cap set by the 2022 Annual General Meeting)

Subject to approval by the Annual General Meeting of the amendment to the Articles of Association, variable remuneration will be determined in advance for the following financial year from 2023 onwards (in line with the procedure for fixed remuneration).

The Annual General Meeting held on 30 April 2021 approved an amount of CHF 4.0 million for the fixed remuneration (including social security contributions) payable to the Corporate Executive Committee for 2022. The amount paid out was CHF 4.0 million. In addition, the Annual General Meeting held on 29 April 2022 approved a maximum amount of CHF 4.8 million for the variable remuneration (including social security contributions and discounted subscriptions under the Share Subscription Plan) payable for 2022. The total amount paid out was CHF 3.6 million.
On 1 March 2022, the performance share units allocated in 2019 were converted into shares as scheduled. These PSUs had a value of CHF 1.3 million at the time of allocation. The actual value of the shares granted was CHF 0.8 million.

The remuneration paid to the members of the Corporate Executive Committee for the 2021 and 2022 financial years is set out in the tables below. The disclosure is made in accordance with the accrual principle. The tables include all forms of remuneration awarded for performance in each financial year even if individual components are not paid until a later date.

Distribution of remuneration for 2022



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	329.0	–	380.0	1,022.5	1,972.5	108 %	–	219.2	2,191.7
Group CEO											
Dr Alexander Bockelmann	600.0	59.5	207.8	138.6	240.1	645.9	1,245.9	108 %	–	179.5	1,425.4
Head of Corporate Division IT											
Dr Matthias Henny	500.0	0.1	207.8	132.0	200.1	539.9	1,039.9	108 %	5.0	197.1	1,241.9
Head of Corporate Division Asset Management											
Michael Müller	700.0	184.9	290.9	–	280.1	755.8	1,455.8	108 %	7.0	198.3	1,661.1
Head of Corporate Division Switzerland											
Dr Carsten Stolz	500.0	165.1	173.1	–	200.1	538.2	1,038.2	108 %	5.0	197.1	1,240.3
Head of Corporate Division Finance											
Total for the Corporate Executive Committee	**3,250.0**	**723.1**	**1,208.4**	**270.6**	**1,300.3**	**3,502.3**	**6,752.3**	**108 %**	**16.9**	**991.2**	**7,760.4**

Explanatory notes to the table
As of 2022, the value of subscribed shares under the Share Participation Plan is stated at the market price. The disclosure of remuneration for 2021 has been adjusted accordingly. As a result of the fact that this report uses the closing price on 1 March 2022 (rather than the closing price on the cut-off date for choosing the proportion of shares – 10 January 2022 – used in the 2021 remuneration report), the reported total for the Corporate Executive Committee has decreased by CHF 70,893. This is attributable exclusively to the adjusted valuation of the shares.
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.
Share Subscription Plan Proportion of variable remuneration received directly as shares, which are valued at their market value as per closing price on the date of transfer of title, 1 March 2022 = CHF 150.00.
Share Participation Plan Proportion of variable remuneration received as shares (excluding loan-financed shares). In order to simplify the remuneration model for the Corporate Executive Committee, the Share Participation Plan has been discontinued with effect from 2022. Detailed information on this plan can be found in the 2021 remuneration report.
PSU Disclosure at the value as at the date of allocation (CHF 174.72), measured using a Monte Carlo simulation that calculates a present value for the payout expected at the end of the vesting period.
Non-cash benefits 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

2022	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
CHF thousand	Cash payment (fixed)	Cash payment (variable)	Share Subscription Plan	PSU (granted in 2022)	Total variable remuneration					
Gert De Winter	950.0	270.8	314.9	380.0	965.7	1,915.7	102%	–	224.5	2,140.3
Group CEO										
Dr Alexander Bockelmann	600.0	171.1	198.8	240.0	609.9	1,209.9	102%	2.0	183.9	1,395.8
Head of Corporate Division IT										
Dr Matthias Henny	500.0	0.1	314.0	200.1	514.1	1,014.1	103%	25.3	183.3	1,222.7
Head of Corporate Division Asset Management										
Michael Müller	700.0	184.8	322.4	280.0	787.3	1,487.3	112%	4.4	203.1	1,694.8
Head of Corporate Division Switzerland										
Dr Carsten Stolz	500.0	142.5	165.7	200.1	508.3	1,008.3	102%	4.4	186.7	1,199.5
Head of Corporate Division Finance										
Total for the Corporate Executive Committee	**3,250.0**	**769.3**	**1,315.8**	**1,300.2**	**3,385.4**	**6,635.4**	**104%**	**36.1**	**981.6**	**7,653.0**

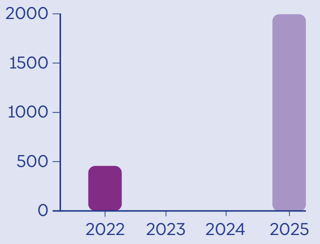
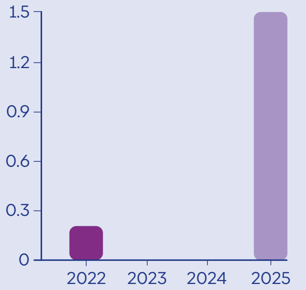
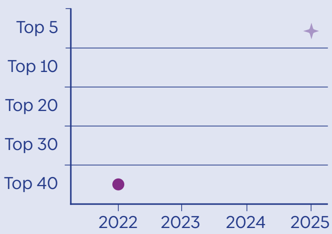
Explanatory notes to the table
Remuneration is disclosed in accordance with the accrual principle. The table includes all forms of remuneration awarded for performance in 2022 even if individual components are not paid until a later date. Amounts are gross, before deduction of social security contributions, etc.
Share Subscription Plan Proportion of variable remuneration received directly as shares, which are valued at their market value as at 1 March 2023 = CHF 156.20.
PSU Disclosure at the value as at the date of allocation (CHF 159.28), measured using a Monte Carlo simulation that calculates a present value for the payout expected at the end of the vesting period.
Non-cash benefits 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.

Amounts receivable and remuneration on a non-arm's-length basis

No remuneration on a non-arm's-length basis was paid to former members of the Corporate Executive Committee or 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 current or former members of the Corporate Executive Committee or any of the aforementioned persons or companies have been waived.

Performance pool factor for 2022

For 2022, the Remuneration Committee set a factor of 100 per cent for the performance pool. The outcomes of the financial and quality assessments are explained in greater detail in the following.

Metrics	Targets 2022–2025	Results for 2022 / annual performance	Performance appraisal by the Remuneration Committee	Overall status
1 Financial assessment				110%
Cash generation	CHF 2 billion into Bâloise Holding	CHF 471 million  	In a challenging year characterised by exceptional external conditions, we generated CHF 471 million in cash in 2022 and thus achieved a solid contribution of 24 per cent towards our strategic ambition in the first year of this strategic phase. On this basis, we are very confident in our ability to achieve the overall target of CHF 2 billion for Simply Safe: Season 2.	
2 Quality assessment				90%
Customers	1.5 million new customers	173,000 new customers  	In spite of challenging market conditions in 2022, we were able to expand our customer base, adding 173,000 new customers through organic growth. This represents slightly lower growth than we had originally anticipated. Nonetheless, we continue to work with confidence on growing and strengthening the networks in our ecosystems and placing even greater emphasis on the needs of our customers in order to achieve our ambition of adding 1.5 million new customers by 2025.	
Employees	Top 5% of all employers in Europe by the end of 2025	Top 36% of all employers in Europe  	As part of the Simply Safe: Season 2 strategic phase, we are measuring satisfaction ('employee happiness') by asking our employees "How happy are you to work at Baloise?". Nearly 80 per cent of employees provided a positive response to this question in 2022, whereas just 4 per cent of responses were negative. Based on this new metric and the expanded benchmark, Baloise ranked within the top 36 per cent at the end of 2022. In a challenging environment, this puts Baloise within touching distance of the top third in the ranking of the best employers in Europe.	
Sustainability	Upper mid-level ranking in the indices published by MSCI and Sustainalytics, the SAM Score by S&P, and RepTrak	MSCI: AA 80th percentile Sustainalytics: 20.4 75th percentile SAM Score: 43 46th percentile RepTrak: 69.9	Progress with the implementation of internal processes and structures is reflected in sustainability indices in the form of rating improvements. In 2022, we were able to improve our MSCI rating for the fourth time since 2017, with an upgrade for Baloise from A to AA. The Sustainalytics rating of Baloise improved as well, while the SAM score remained on a par with the previous year. Our RepTrak score is at the threshold to 'strong'. Baloise's positioning compared with the overall market remains stable, in spite of the improvements in specific areas.	
Risk	Positive integral qualitative risk assessment	Overall assessment: good	The risk situation can be classified as 'good'. This classification is underpinned by the Company's excellent solvency, which improved from an already high level and is reflected in an impressive expected SST ratio of 230 per cent, as well as by its strong compliance track record and its positive external perception as a very robustly capitalised business.	
3 Performance pool factor for 2022				100%

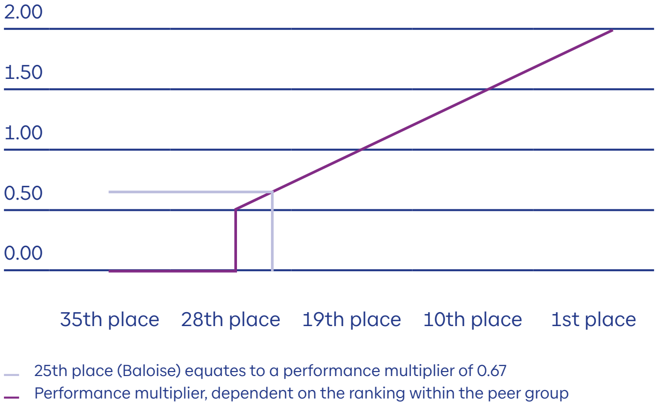
Assessment of the Corporate Executive Committee's performance in 2022

The team targets for the Corporate Executive Committee comprise quantitative and qualitative targets. Alongside the financial performance of the Group, the focus in 2022 was on the launch of Simply Safe: Season 2. This new strategic phase, which will last until 2025, was kicked off under challenging external circumstances. Jointly, the members of the Corporate Executive Committee acted as role models for the transformation they are seeking to bring about and handled the Group CEO's absence due to illness commendably. The Company ranked within the top 36 per cent of best employers in Europe and thus remained within touching distance of the top third. The customer base continued to grow across all parts of the Group. Compared with previous years, the cash remittance to Bâloise Holding Ltd increased once again in 2022, rising to CHF 471 million.

PSUs for the period 2019 to 2022

During the calculation period, Baloise was ranked 25th out of the 35 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 0.67 (1st place = performance multiplier of 2; 28th place = performance multiplier of 0.5; 29th place to 35th place = performance multiplier of 0).

Range for the performance multiplier and Baloise's ranking during the 2019–2022 calculation period



The chart shows the possible range for the performance multiplier, depending on Baloise's ranking out of the 35 companies in the STOXX Europe 600 Insurance Index.

This means that a person who was granted, for example, a prospective entitlement to 100 shares in 2019 will receive 67 shares upon conversion in 2022 based on the performance multiplier of 0.67.

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.

PSU-Plans

	Price when granted CHF	Price when converted CHF	Performance multiplier	Value when converted CHF	Total gain in value
2015–2018	124.00	149.20	1.34	199.90	61%
2016–2019	126.00	163.00	1.32	215.15	71%
2017–2020	130.70	154.90	1.34	207.55	59%
2018–2021	149.20	158.90	1.22	193.85	30%
2019–2022	163.00	154.10	0.67	103.25	–37%

The table shows the plans that expired in the past five years.

C. Loans and credit facilities granted to members of the Board of Directors and the Corporate Executive Committee (as at 31 December)

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	
	2021	2022	2021	2022	2021	2022	2021	2022
CHF thousand								
Total for the Board of Directors	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Corporate Executive Committee member with the highest outstanding loan:								
Dr Alexander Bockelmann	–	–	–	2,190.5	–	–	–	2,190.5
Head of Corporate Division IT								
Dr Matthias Henny	–	–	2,024.7	–	–	–	2,024.7	–
Head of Corporate Division Asset Management								
Other members of the Corporate Executive Committee	1,700.0	1,700.0	1,752.2	2,086.7	–	–	3,452.2	3,786.7
Total for the Corporate Executive Committee	**1,700.0**	**1,700.0**	**3,776.9**	**4,277.2**	**–**	**–**	**5,476.9**	**5,977.2**

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 the 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 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. Loans are subject to interest at a market rate (2022: 0.5 per cent) and have a term of three years.
Other loans There are no policy loans.

D. Shares and options held

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	
	2021	2022	2021	2022	2021	2022	2021	2022
Quantity								
Dr Thomas von Planta	1,805	3,286	4,195	6,714	6,000	10,000	0.013 %	0.022 %
Chairman								
Christoph Mäder	733	733	1,682	2,116	2,415	2,849	0.005 %	0.006 %
Vice-Chairman (since 30 April 2022)								
Dr Maya Bundt (since 30 April 2022)	–	–	–	1,198	–	1,198	–	0.003 %
Member								
Claudia Dill (since 30 April 2022)	–	–	–	1,198	–	1,198	–	0.003 %
Member								
Christoph B. Gloor	8,976	9,410	2,312	2,261	11,288	11,671	0.025 %	0.025 %
Member								
Hugo Lasat	686	1,024	2,020	1,980	2,706	3,004	0.006 %	0.007 %
Member								
Dr Karin Lenzlinger Diedenhofen	0	0	1,218	1,516	1,218	1,516	0.003 %	0.003 %
Member								
Dr Markus R. Neuhaus	0	0	1,745	2,151	1,745	2,151	0.004 %	0.005 %
Member								
Prof. Dr Hans-Jörg Schmidt-Trenz	0	338	2,020	2,037	2,020	2,375	0.004 %	0.005 %
Member								
Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen	686	1,024	2,216	2,261	2,902	3,285	0.006 %	0.007 %
Member								
Dr Andreas Beerli (until 29 April 2022)	3,695	5,264	2,720	1,388	6,415	6,652	0.014 %	0.015 %
Vice-Chairman								
Thomas Pleines (until 29 April 2022)	3,106	4,579	2,429	1,095	5,535	5,674	0.012 %	0.012 %
Member								
Total for the Board of Directors	**19,687**	**25,658**	**22,557**	**25,915**	**42,244**	**51,573**	**0.092 %**	**0.113 %**
Percentage of issued share capital	0.043 %	0.056 %	0.049 %	0.057 %	0.092 %	0.113 %		

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 received in connection with share-based remuneration programmes are subject to a closed period of three years. The closed period for shares received by the former Chairman of the Board of Directors in connection with 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)	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Quantity										
Gert De Winter	30,852	32,073	6,148	6,139	37,000	38,212	0.081 %	0.083 %	6,861	6,980
Group CEO										
Dr Alexander Bockelmann	–	880	13,846	21,856	13,846	22,736	0.030 %	0.050 %	4,215	4,409
Head of Corporate Division IT										
Dr Matthias Henny	13,377	13,522	20,941	20,975	34,318	34,497	0.075 %	0.075 %	3,611	3,674
Head of Corporate Division Asset Management										
Michael Müller	27,799	28,115	7,339	6,682	35,138	34,797	0.077 %	0.076 %	5,057	5,144
Head of Corporate Division Switzerland										
Dr Carsten Stolz	5,768	2,290	5,923	3,247	11,691	5,537	0.026 %	0.012 %	3,611	3,674
Head of Corporate Division Finance										
Total for the members of the Corporate Executive Committee	**77,796**	**76,880**	**54,197**	**58,899**	**131,993**	**135,779**	**0.288 %**	**0.296 %**	**23,355**	**23,881**
Percentage of issued share capital	0.170 %	0.168 %	0.118 %	0.129 %	0.288 %	0.296 %				

Explanatory notes to the table
Shareholdings Includes shares held by related parties (spouses or life partners; children under 18 years or dependent family members; companies owned or controlled by directors; individuals who act as trustees for them; children, relatives, companies and trustees of the spouse or life partner).
Restricted shares Includes loan-financed shares connected with the Share Participation Plan. Shares received in connection with share-based remuneration programmes are subject to a closed period of three years.
Options 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 2020, 1 March 2021 and 1 March 2022).

E. Total remuneration at the Baloise Group

As requested by circular 10/1 issued by the Swiss Financial Market Supervisory Authority on the subject of remuneration, Baloise has published 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 in the table below include all forms of remuneration awarded for 2022 even if individual components are not paid until a later date.

Total and variable remuneration in the Baloise Group

				2021				2022
	Cash	Shares	Prospective entitlements	Total	Cash	Shares	Prospective entitlements	Total
CHF million								
Total remuneration	821.6	5.7	4.9	832.2	822.4	5.2	5.4	833.0
Total variable remuneration (total pool)	152.5	5.7	4.9	163.1	153.1	5.2	5.4	163.7
Number of beneficiaries	5,150	255	68		5,814	276	78	
Total outstanding deferred remuneration	–	109.7	14.8	124.6	–	110.0	14.9	124.9
Debits/credits for remuneration for previous reporting periods recognised in profit or loss	–0.3	–	–	–0.3	–0.0	–	–	–0.0
Total inducement payments made	0.1	–	–	0.1	0.2	–	–	0.2
Number of beneficiaries	10	–	–		26	–	–	
Total severance payments made	5.5	–	–	5.5	3.1	–	–	3.1
Number of beneficiaries	56	–	–		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, allocation 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. For members of the Board of Directors and the Corporate Executive Committee, such payments are allowable only if they compensate for lost entitlement to remuneration.
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

Building a better working world

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To the General Meeting of
Bâloise Holding AG, Basel

Basel, 22 March 2023

Report of the statutory auditor on the audit of the remuneration report

Opinion

We have audited the remuneration report of Bâloise Holding AG (the Company) for the year ended 31.12.2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the tables on pages 66 to 76 of the remuneration report.

In our opinion, the information on remuneration, loans and advances in the remuneration report complies with Swiss law and Art. 14-16 VegüV.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the remuneration report" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables on pages 66 to 76 of the remuneration report, the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the remuneration report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the remuneration report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the remuneration report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the remuneration report
The Board of Directors is responsible for the preparation of a remuneration report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a remuneration report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibilities for the audit of the remuneration report
Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegüV is 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 and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this remuneration report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the remuneration report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 269 “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	31.12.2021	31.12.2022
Assets			
Property, plant and equipment	8	419.5	411.5
Intangible assets	9	1,180.4	1,405.9
Investments in associates	38	316.0	344.7
Investment property	10	8,464.5	8,495.1
Financial instruments with characteristics of equity	11		
Available for sale		4,681.7	4,093.1
Recognised at fair value through profit or loss		14,490.3	12,182.8
Financial instruments with characteristics of liabilities	11		
Held to maturity		6,375.5	5,809.6
Available for sale		28,502.8	23,421.3
Recognised at fair value through profit or loss		2,083.2	2,153.3
Mortgages and loans	12		
Carried at cost		15,117.5	14,676.4
Recognised at fair value through profit or loss		981.5	826.4
Derivative financial instruments	13	902.1	812.9
Reinsurance assets	15	823.9	650.6
Receivables from reinsurers	16	170.7	98.4
Insurance receivables		450.0	507.4
Receivables from employee benefits	17	5.9	7.4
Other receivables	14	271.3	254.7
Receivables from investments	14	334.9	324.0
Deferred tax assets	18	73.7	217.9
Current income tax assets		66.7	65.0
Other assets	19	193.5	177.8
Cash and cash equivalents		4,073.5	3,370.2
Non-current assets and disposal groups classified as held for sale	20	–	243.8
Total assets		**89,979.0**	**80,550.1**

CHF million	Note	31.12.2021	31.12.2022
Equity and liabilities			
Equity			
Share capital	21	4.6	4.6
Capital reserves		376.8	377.6
Treasury shares		–84.9	–71.6
Unrealised gains and losses (net)		178.9	–2,811.2
Retained earnings		6,809.7	7,040.1
Equity before non-controlling interests		**7,285.1**	**4,539.5**
Non-controlling interests		14.8	12.6
Total equity		**7,299.9**	**4,552.1**
Liabilities			
Technical reserves (gross)	22	48,661.4	44,605.2
Liabilities arising from banking business and financial contracts	23		
With discretionary participation features		4,038.5	3,935.3
Measured at amortised cost		8,189.7	7,976.6
Recognised at fair value through profit or loss		14,654.2	12,664.4
Financial liabilities	24	2,425.7	2,609.6
Non-technical provisions	25	77.0	59.0
Derivative financial instruments	13	89.8	136.1
Insurance liabilities	26	1,770.1	1,740.3
Liabilities arising from employee benefits	17	926.1	640.0
Other accounts payable		706.1	746.7
Deferred tax liabilities	18	1,002.0	590.6
Current income tax liabilities		41.2	32.8
Other liabilities		97.4	84.1
Liabilities included in non-current assets and disposal groups classified as held for sale	20	–	177.4
Total liabilities		**82,679.1**	**75,998.1**
Total equity and liabilities		**89,979.0**	**80,550.1**

Consolidated income statement

CHF million	Note	2021	2022
Income			
Premiums earned and policy fees (gross)	27	7,416.2	7,109.5
Reinsurance premiums ceded	27	–326.5	–317.8
Premiums earned and policy fees (net)	27	7,089.7	6,791.7
Investment income	28	1,159.5	1,157.2
Realised gains and losses on investments			
For own account and at own risk	29	370.5	124.0
For the account and at risk of life insurance policyholders and third parties		1,534.2	–2,057.9
Income from services rendered	30	130.6	130.0
Share of profit (loss) of associates	38	4.9	4.9
Other operating income	31	213.2	178.2
Income		**10,502.5**	**6,328.1**
Expense			
Claims and benefits paid (gross)		–5,813.4	–6,350.5
Change in technical reserves (gross)		–1,184.7	929.0
Reinsurers' share of claims incurred		529.6	251.7
Acquisition costs	32	–655.6	–596.6
Operating and administrative expenses for insurance business	32	–856.7	–867.0
Investment management expenses	32	–124.4	–122.9
Interest expenses on insurance liabilities		–13.6	–11.6
Gains or losses on financial contracts	34	–1,168.3	1,609.9
Other operating expenses	32	–493.0	–464.8
Expense		**–9,780.0**	**–5,622.8**
Profit before borrowing costs and taxes		**722.5**	**705.3**
Borrowing costs	24	–24.7	–22.4
Profit before taxes		**697.9**	**682.9**
Income taxes	35	–114.6	–138.4
Profit for the period		**583.3**	**544.5**
Attributable to:			
Shareholders		588.4	548.0
Non-controlling interests		–5.1	–3.5
Earnings/loss per share	36		
Basic (CHF)		13.06	12.13
Diluted (CHF)		13.05	12.12

Consolidated statement of comprehensive income

CHF million	2021	2022
Profit for the period	**583.3**	**544.5**
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)	350.8	222.0
Change arising from shadow accounting	–35.2	–96.8
Exchange differences	4.6	4.0
Deferred taxes	–57.7	–31.8
Total items not to be reclassified to the income statement	**274.1**	**97.4**
Items to be reclassified to the income statement		
Change in unrealised gains and losses on available-for-sale financial assets	–432.8	–5,688.4
Change in unrealised gains and losses on associates	2.9	0.3
Change in hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	–35.4	–12.4
Change in reserves arising from reclassification of held-to-maturity financial assets	–0.8	–0.8
Change arising from shadow accounting	221.0	2,139.5
Exchange differences	–128.7	–177.5
Deferred taxes	73.7	651.4
Total items to be reclassified to the income statement	**–300.1**	**–3,088.0**
Other comprehensive income	**–26.0**	**–2,990.6**
Comprehensive income	**557.3**	**–2,446.1**
Attributable to:		
Shareholders	563.6	–2,441.5
Non-controlling interests	–6.3	–4.6

Consolidated cash flow statement

	Note	2021	2022
CHF million			
Cash flow from operating activities			
Profit before taxes		697.9	682.9
Adjustments for			
Depreciation, amortisation and impairment of property, plant and equipment and of intangible assets	8/9	102.0	98.2
Realised gains and losses on property, plant and equipment and on intangible assets		0.5	–0.2
Income from investments in associates		–5.3	–4.9
Realised gains and losses on financial assets, investment property and associates		–1,889.0	1,913.1
Amortised cost valuation of financial instruments		31.7	11.0
Share-based payments		5.3	6.0
Change in assets and liabilities from operating acitivities			
Deferred Acquisition Costs	9	–94.7	–98.0
Technical reserves		1,078.9	–1,136.0
Reinsurers' share of technical reserves		–176.9	129.0
Receivables and liabilities arising from banking business and financial contracts		2,249.2	–1,609.7
Receivables from investments		25.3	3.3
Receivables and liabilities arising from insurance business and from reinsurers		–87.4	–99.2
Change in other assets and other liabilities from operating acitivities		167.6	17.8
Change in operating assets and liabilities			
Purchase of investment property	10	–101.6	–142.0
Sale of investment property	10	238.5	92.1
Purchase of financial assets of an equity nature		–2,994.0	–2,982.8
Sale of financial assets of an equity nature		2,190.3	3,246.5
Purchase of financial assets of a debt nature		–6,344.2	–5,288.8
Sale of financial assets of a debt nature		4,777.0	4,368.9
Addition of mortgages and loans		–51,640.7	–14,256.3
Disposal of mortgages and loans		52,389.6	14,601.2
Addition of derivative financial instruments		–282.7	–242.4
Disposal of derivative financial instruments		210.8	354.9
Borrowing costs	24	24.7	22.4
Taxes paid		–95.7	–74.7
Cash flow from operating activities		**477.0**	**–388.0**

	Note	2021	2022
CHF million			
Cash flow from investing activities			
Purchase of property, plant and equipment	8	–14.0	–14.6
Sale of property, plant and equipment		7.3	4.1
Purchase of intangible assets	9	–35.4	–31.3
Sale of intangible assets		0.6	0.7
Acquisition of companies, net of cash and cash equivalents	38	–	–
Disposal of companies, net of cash and cash equivalents	38	–	–
Purchase of investments in associates		–59.7	–40.1
Sale of investments in associates		–	0.1
Dividends from associates		7.0	6.9
Cash flow from investing activities		**–94.3**	**–74.3**
Cash flow from financing activities			
Capital reductions	21	–	–
Additions to financial liabilities	24	450.0	534.7
Disposals of financial liabilities	24	–375.0	–350.0
Borrowing costs paid	24	–25.5	–20.7
Repayments of principal in connection with leases	24	–13.3	–12.1
Purchase of treasury shares[1]		–37.7	–42.2
Sale of treasury shares[1]		47.3	54.5
Purchase and sale of options on treasury shares[1]		4.0	–3.1
Dividends attributable to non-controlling interests		–0.4	–0.4
Dividends paid		–288.4	–316.5
Cash flow from financing activities		**–238.9**	**–155.8**
Total cash flow		**143.8**	**–618.1**
Cash and cash equivalents			
Balance as at 1 January		4,004.0	4,073.5
Change during the financial year		143.8	–618.1
Effect of changes in exchange rates on cash and cash equivalents		–74.3	–85.2
Balance as at 31 December		**4,073.5**	**3,370.2**
Breakdown of cash and cash equivalents at the balance sheet date			
Cash and bank balances		2,577.2	2,045.1
Cash equivalents		0.1	0.0
Cash and cash equivalents for the account and at the risk of life insurance policyholders		1,496.2	1,325.1
Balance as at 31 December		**4,073.5**	**3,370.2**
Of which: restricted cash and cash equivalents		223.4	89.9
Supplemental disclosures on cash flow from operating activities			
Interest received		594.3	543.2
Dividends received		38.3	63.9
Interest paid		–23.5	–14.8

1 The prior-year figures in the cash flow statement were adjusted slightly due to the more detailed presentation of the options on treasury shares. Further details can be found in the consolidated statement of changes in equity.

Consolidated statement of changes in equity

2021	Note	Share capital	Capital reserves	Treasury shares	Other changes in equity	Retained earnings	Equity before non-controlling interests	Non-con-trolling 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 [1]		–	0.1	–37.8	–	–	–37.7	–	–37.7
Sale of treasury shares [1]		–	23.1	24.2	–	–	47.3	–	47.3
Purchase and sale of options on treasury shares [1]			4.0				4.0		4.0
Share-based payments		–	4.9	–	–	–	4.9	0.4	5.3
Allocation of treasury shares as part of share-based remuneration programmes [1]		–	–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**

1 The statement of changes in equity was adjusted as a result of the more detailed presentation of options on treasury shares. This resulted in a minor shift within capital reserves between the purchase/sale of treasury shares and the purchase/sale of options on treasury shares. This change has no impact on total equity.

2022	Note	Share capital	Capital reserves	Treasury shares	Other changes in equity	Retained earnings	Equity before non-controlling interests	Non-con-trolling interests	Total equity
CHF million									
Balance as at 1 January		**4.6**	**376.8**	**-84.9**	**178.9**	**6,809.7**	**7,285.1**	**14.8**	**7,299.9**
Profit for the period		–	–	–	–	548.0	548.0	-3.5	544.5
Other comprehensive income	37	–	–	–	-2,989.5	–	-2,989.5	-1.1	-2,990.6
Comprehensive income		**–**	**–**	**–**	**-2,989.5**	**548.0**	**-2,441.5**	**-4.6**	**-2,446.1**
Other changes in equity									
Dividend		–	–	–	–	-316.5	-316.5	-0.4	-316.9
Capital increase/repayment	21	–	–	–	–	–	–	–	–
Purchase of treasury shares		–	–	-42.2	–	–	-42.2	–	-42.2
Sale of treasury shares		–	25.4	29.1	–	–	54.5	–	54.5
Purchase and sale of options on treasury shares		–	-3.1	–	–	–	-3.1	–	-3.1
Share-based payments		–	4.9	–	–	–	4.9	1.1	6.0
Allocation of treasury shares as part of share-based remuneration programmes		–	-26.4	26.4	–	–	–	–	–
Cancellation of (treasury) shares	21	–	–	–	–	–	–	–	–
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		–	–	–	–	-2.0	-2.0	1.7	-0.3
Other		–	–	–	-0.6	0.8	0.2	–	0.2
Balance as at 31 December		**4.6**	**377.6**	**-71.6**	**-2,811.2**	**7,040.1**	**4,539.5**	**12.6**	**4,552.1**

Notes to the consolidated annual financial statements

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 2023 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.	2022	2022	2021	2022	2022	2021
CHF million						
Financial instruments with characteristics of equity						
Equities	–	–	–	1,568.0	1,568.0	– 704.9
Equity funds	–	–	–	121.1	121.1	– 31.5
Mixed funds	–	–	–	646.3	646.3	– 10.0
Bond funds	–	–	–	301.2	301.2	149.8
Real estate funds	–	–	–	742.2	742.2	29.0
Private equity	–	–	–	1,240.7	1,240.7	4.0
Hedge funds	–	–	–	0.0	0.0	– 0.2
Financial instruments with characteristics of liabilities						
Public corporations	16,036.5	15,942.3	– 4,629.5	5.6	5.6	5.6
Industrial enterprises	6,191.6	6,191.6	– 1,260.3	88.1	88.1	60.2
Financial institutions	5,480.7	5,453.3	– 1,192.8	206.6	206.6	6.3
Private debt	1,223.1	1,223.1	– 15.0	–	–	–
Other	5.0	5.0	– 5.3	–	–	–
Mortgages and loans						
Mortgages	11,255.3	10,870.2	– 740.6	–	–	–
Promissory notes and registered bonds	3,057.9	2,556.5	– 1,374.1	18.8	18.8	14.5
Time deposits	211.3	211.3	– 354.8	–	–	–
Employee loans	33.0	32.8	3.6	–	–	–
Reverse repurchase agreements	465.0	465.0	280.0	–	–	–
Other loans	297.7	294.8	90.9	7.7	7.3	– 1.5
Derivative financial instruments						
Interest rate instruments	–	–	–	403.1	403.1	– 3.3
Equity instruments	–	–	–	9.4	9.4	– 26.6
Foreign currency instruments	–	–	–	99.7	99.7	– 41.2
Receivables						
Receivables from financial contracts	–	–	–	–	–	–
Other receivables	254.7	257.0	– 16.0	–	–	–
Receivables from investments	324.0	324.0	– 10.9	–	–	–
Cash and cash equivalents	2,045.1	2,045.1	– 532.2	–	–	–

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 31.12.2022	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	5,151.6	7,600.7	1,645.5	1,409.9	228.7	16,036.5	–23.2	228.7
Industrial enterprises	44.8	455.3	2,261.1	1,486.1	1,944.4	6,191.6	–13.4	1,944.4
Financial institutions	3,327.1	299.7	1,103.8	565.5	184.6	5,480.7	–1.5	184.6
Private debt	–	–	–	–	1,223.1	1,223.1	–	1,223.1
Other	–	5.0	–	–	–	5.0	–	–
Mortgages and loans								
Mortgages	105.5	1,167.4	8,971.6	953.9	56.8	11,255.3	–24.6	55.8
Promissory notes and registered bonds	1,085.5	1,209.9	235.6	340.6	186.2	3,057.9	–	181.3
Time deposits	–	–	54.0	–	157.3	211.3	–	157.3
Employee loans	–	–	–	–	33.0	33.0	–	32.8
Reverse repurchase agreements	–	55.0	–	–	410.0	465.0	–	410.0
Other loans	2.6	28.9	120.8	23.7	121.7	297.7	–0.5	119.7
Other receivables								
Other receivables	1.1	13.8	65.5	9.7	164.7	254.7	–2.7	164.7
Receivables from investments	94.0	81.1	41.0	36.3	71.5	324.0	–1.3	71.5
Cash and cash equivalents	879.3	373.3	556.3	44.1	192.1	2,045.1	–	192.1

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.

2.2 IFRSs and interpretations not yet applied

The following new standards and interpretations relevant to the Baloise Group have been published by the IASB but have not yet come into effect and, therefore, have not been applied in the 2022 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

Following the end of the temporary exemption from applying IFRS 9 (see also chapter 2.1), the Baloise Group began applying IFRS 9 Financial Instruments on 1 January 2023 with retrospective effect from 1 January 2022. IFRS 9 sets out rules on the classification and measurement of financial instruments, the impairment of assets and hedge accounting.

Classification of a financial asset is based on the entity's business model on the one hand and, on the other, the characteristics of the contractual cash flows of the financial asset in question. To be classified in a model of measurement at amortised cost (AC) or at fair value through other comprehensive income (FVOCI), the contractual cash flows must meet the criteria of being solely payments of principal and interest (SPPI). This is the case if all the payments to be received are made either as (partial) repayment of the capital or as interest for the time value of the money invested and credit risk.

Within its business models, the Baloise Group will measure investments at fair value through profit or loss (FVPL, particularly financial instruments that do not meet the SPPI criteria), at fair value through other comprehensive income (FVOCI, particularly in the Non-Life operating segment) and at amortised cost (AC, particularly in the Non-Life operating segment). In the Life operating segment, investments are designated as at FVPL in exercise of the option provided in IFRS 9 to avoid accounting mismatches between assets and liabilities. Derivatives are measured at FVPL. In the Non-Life operating segment and in respect of Baloise Bank's shareholdings, the FVOCI option is used for equity instruments, which means that gains and losses realised on these investments are recognised solely in other comprehensive income (OCI) and not in the income statement.

Taking account of the requirements of IFRS 9, the investments are classified so as to avoid accounting mismatches between assets and liabilities as far as possible and, overall, to reduce volatility in the income statement.

Measurement effects are expected to arise primarily as a result of the changes compared with IAS 39 in the measurement of held-to-maturity financial instruments, mortgages and loans that were previously measured at AC but, in the Life operating segment, will now be measured at FVPL.

Under IAS 39, credit losses were recognised only when the loss event occurred. Under the new impairment model in IFRS 9, however, a loss allowance for expected credit losses (ECLs) is now recognised. The IFRS 9 model consists of three stages that determine the amount at which the loss allowance is recognised and the recognition of interest. At the time of initial recognition, expected losses must be recognised in the amount of the present value of the twelve-month expected credit loss (stage 1). If the credit risk has risen significantly, the loss allowance has to be increased to the amount of the lifetime expected credit losses (stage 2). If objective evidence of impairment arises, interest has to be recognised on the basis of the net carrying amount (stage 3).

The expected credit losses are calculated for the investments measured at FVOCI or AC, with the exception of the equity instruments for which the FVOCI option is exercised. Given the high credit quality of the investments held by the Baloise Group, no material effect is expected as a result of applying the new impairment model in connection with the first-time adoption of IFRS 9.

The Baloise Group will also recognise hedges as cash flow hedges, fair value hedges and hedges of a net investment in a foreign operation under IFRS 9.

IFRS 17 Insurance Contracts

IFRS 17 establishes uniform principles, consistent with the rules in other IFRSs, for the measurement, presentation and disclosure of insurance contracts and reinsurance contracts. The introduction of IFRS 17 involves material conceptual and structural changes compared with the rules in IFRS 4. The objective is to improve the presentation of the insurance business and make it possible to compare earnings from insurance contracts across the insurance industry. The Baloise Group will start applying IFRS 17 (in the version issued by the IASB) on 1 January 2023 with retrospective effect from 1 January 2022.

The main changes and their impact on the Baloise Group's IFRS consolidated financial statements are presented below. Comprehensive, finalised quantitative disclosures on the effects of the first-time adoption of IFRS 17 on the Baloise Group's opening balance sheet were not possible at the time of publication of the consolidated financial statements for the year ended 31 December 2022.

Definition of an insurance contract

Irrespective of its treatment in accordance with regulatory requirements or tax law, an insurance contract pursuant to IFRS 17 is defined as "a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder". In this context, an insurance risk is any directly insured or reinsured risk that is not a financial risk.

As a rule, insurance contracts entered into by the Baloise Group are fully recognised in accordance with IFRS 17 or, if they do not meet the definition of an insurance contract, as a financial instrument in accordance with IFRS 9.

The measurement unit for insurance contracts

Groups of insurance contracts rather than the individual contracts are measured under IFRS 17. These groups constitute the smallest unit in the financial reporting. Initially, those insurance contracts that are subject to similar risk and managed together are collected together. These portfolios are then divided into groups on the basis of the contracts' year of issue and the profitability of the contracts expected at the time of issue. Overall, this results in an extremely granular breakdown of the Baloise Group's insurance contract portfolio.

Measurement models for insurance contracts

IFRS 17 provides for three measurement models: the general measurement model (GMM), the variable fee approach (VFA) and the premium allocation approach (PAA), whose use depends on certain requirements. Under IFRS 17, the GMM and the PAA are modified in the case of outward reinsurance contracts.

The bulk of the Baloise Group's insurance contracts are not measured using the GMM. Instead, the PAA (almost the entire portfolio of non-life insurance contracts) and VFA (life insurance contracts in Switzerland and Germany) are used. The GMM is used for insurance contracts in Belgium and Luxembourg and for life reinsurance contracts. As a rule, unit-linked contracts in other countries (e.g. Luxembourg) were classified as financial contracts under IAS 39 and will be classified under IFRS 9 in future.

General measurement model (GMM)

The GMM comprises the following elements:

- Estimates of future cash flows that originated within the IFRS 17 contract boundary
- Adjustment to reflect the time value of money and the financial risk ('risk-appropriate discounting')
- Risk adjustment (RA) for non-financial risk
- Contractual service margin (CSM) representing the unearned profit that will be recognised as the services are provided in the future

The sum of the first three elements is also referred to as fulfilment cash flows. Measurement is based on projections of the net cash flows from the grouped insurance contracts. The projections are updated on an ongoing basis. These cash flows are discounted using current, risk-appropriate discount rates and undergo a risk adjustment (RA) in order to take account of the price of taking on non-financial risk.

For the purpose of discounting, the current, risk-appropriate discount rates are determined using a bottom-up approach in which risk-free swap curves (SARON and Euribor) are adjusted by applying a specific spread. The spread takes account of the illiquidity of the insurance contracts and is oriented to investments held by Baloise.

The risk adjustment for non-financial risk is based on a percentile approach (75 per cent) for all insurance contracts of the Baloise Group.

For the fulfilment cash flows calculated in this way, the methods used for measurement on initial recognition and for subsequent measurement are identical.

If the measurement with the fulfilment cash flows gives rise to a positive margin for the insurance services and investment services still to be performed, this margin is not recognised as immediate profit. Instead, it is recognised as a CSM in the form of deferred income and is then systematically recognised in profit or loss over the remaining period of service on the basis of the coverage unit (CU). The CU describes the profile of the insurance services and investment services performed.

If, on initial measurement, it becomes clear that a group of insurance contracts will give rise to a loss (onerous), this expected loss must be recognised immediately in profit or loss as a loss component and disclosed separately, i.e. the contractual service margin cannot contain negative margins. In the case of onerous insurance contracts, all changes resulting from subsequent measurement must be recognised in the income statement immediately until such time as a CSM arises.

Upon subsequent measurement under the GMM, any resulting changes to the outstanding fulfilment cash flows that are not attributable to financial influences and any delays to payments for non-distinct investment components in the contracts trigger a corresponding adjustment to the CSM. This updated CSM is released to profit or loss on the basis of the CU.

Changes to the discount rate do not affect the CSM. Changes resulting from financial influences are recognised in insurance finance income or expenses.

Measurement of insurance contracts in accordance with the variable fee approach (VFA)

Insurance contracts with statutory or contractually defined direct participation features (policyholders' dividends) are accounted for under the VFA.

The differences between the VFA and GMM with regard to measurement of the technical reserves relate exclusively to the recognition of the CSM. In the case of VFA contracts, a significant portion of the financial risk is shared with the policyholders. Consequently, the CSM is also adjusted as a result of margin changes that are due to financial influences.

Measurement of insurance contracts in accordance with the premium allocation approach (PAA)

IFRS 17 gives the option to simplify the measurement of the actuarial reserve (liability for remaining coverage, LRC) – i.e. the part of the total reserve that relates to the liability for the unexpired portion of the insurance coverage – for certain groups of contracts. This simplification, also known as the premium allocation approach (PAA), can be used if the coverage period of each contract in the group – the period in which insurance coverage and other services are provided – is one year or less. The PAA may also be used for groups of insurance contracts where the PAA would produce a measurement of the LRC that would not be materially different to the measurement under the GMM.

Baloise intends to use the PAA as a simplified measurement method for all contracts with a short term, i.e. mainly material portfolios in the non-life insurance business (including the related reinsurance business). Here, measurement of the insurance contracts in respect of the remaining coverage largely follows the same approach as under IFRS 4 and is based on accruals for premiums not yet earned. The main changes for non-life insurance contracts are thus limited to the claims reserve (liability for incurred claims, LIC), for which discounting and the risk adjustment for non-financial risk are obligatory.

Presentation of assets/liabilities arising from insurance contracts and reinsurance contracts on the balance sheet

IFRS 17 affects some of the line items that were previously recognised on the balance sheet in connection with insurance contracts under IFRS 4:

- Cash flows from policy loans are considered to be part of the insurance contract and are no longer recognised as separate financial instruments.
- Furthermore, the amounts previously recognised separately on the balance sheet as receivables from policyholders will now be treated as a component of technical reserves.
- The present values of future profits on insurance contracts acquired, which were previously recognised as intangible assets, are an integral element of the measurement of insurance contracts under IFRS 17.

- This also applies to cash flows for future policyholders' dividends, which are therefore no longer shown in a separate reserve. This also means that the Baloise Group will stop using shadow accounting because IFRS 17 provides for the adequate allocation of the cash flows from the realisation of measurement differences to fulfilment cash flows and the CSM.
- Acquisition costs (insurance acquisition cash flows, IACF) in the Non-Life operating segment that are paid for future contract renewals, i.e. that are outside the contract boundary, continue to be deferred as before, but as part of the liabilities and no longer as a separate asset.
- As a rule, IACF for life insurance policies are not recognised as an asset. Instead, they are included in full in the fulfilment cash flows, which means that they are also directly recognised in the assets and liabilities arising from insurance contracts.

Assets and liabilities from insurance business are recognised separately under assets and liabilities on the balance sheet, broken down into coverage underwritten by the Baloise Group itself and outward reinsurance. Furthermore, the disclosures for all types of insurance contract are broken down into the actuarial reserve (liability for remaining coverage, LRC) and the claims reserve (liability for incurred claims, LIC).

The Baloise Group anticipates that, on the date of transition to IFRS 17, the liabilities from life insurance business will increase due to discounting at current discount rates, the consideration of expected policyholders' dividends beyond the overall contract boundary and the explicit CSM as part of the liabilities.

For non-life business, the liabilities from insurance business are currently expected to remain at a similar level as under IFRS 4 upon transition to IFRS 17. This is due to countervailing effects resulting from the reduction in the liabilities owing to the discounting on the one hand and, on the other, from the increase in the liabilities owing to the explicit risk adjustment for non-financial risk.

Overall, the Baloise Group expects the first-time adoption of IFRS 17 to lead to a reduction in equity, mainly because of the remeasurement of the insurance contracts in the Life operating segment in accordance with the VFA and, on a smaller scale, in accordance with the GMM. This means that some of the unrealised gains in the form of the CSM, which were previously recognised in equity, will be reported as part of the liabilities from insurance contracts in future.

In the Non-Life operating segment, no significant impact on equity is expected at the time of the first-time adoption of IFRS 17 due to the countervailing effects of discounting the contracts and taking account of the risk adjustment.

Recognition of insurance contracts in the income statement

Under IFRS 17, the statement of comprehensive income for insurance contracts is broken down into three disclosure groups. In the same way as for the presentation on the balance sheet, gross insurance business and outward reinsurance contracts are presented separately. The three disclosure groups are as follows:

- Insurance revenue
- Insurance service expenses (referred to in combination with insurance revenue as the insurance service result; explained in more detail below)
- Insurance finance income or expenses: an item comprising the sum of all changes in the measurement of insurance contracts arising from the effect of, and changes in, the time value of money, and from the effect of, and changes in, financial risk

The IFRS 17 model for insurance revenue essentially follows the general approach used in IFRS 15 for revenue, and revenue is no longer reported on the basis of the receipt of premiums. Instead, the revenue for the period is essentially measured in the amount of the expected expenses for insurance services and other services and the release to profit of loss of the risk adjustment (RA) for non-financial risk and the CSM. Furthermore, the part of the policyholder benefits that has to be granted regardless of the occurrence of an insured event (non-distinct investment component) is eliminated from the income statement. The revenue calculated in this way is set against the associated non-financial expenses actually incurred (the insurance service expenses), which include the insurance benefits and all costs that are directly attributable to the insurance contracts and that, like the insurance revenue and in the same amount, are also reduced by benefits for non-distinct investment components.

The elimination of the non-distinct investment components from the income statement will result in significantly lower volumes in the life insurance business.

No material changes in terms of revenue in the Non-Life operating segment are expected in comparison with IFRS 4 because it is determined in accordance with the PAA and, moreover, the contracts do not include a non-distinct investment component. As before, the insurance revenue arises mainly from the premium components received.

Regardless of the timing of payment, acquisition costs for insurance contracts are allocated on a systematic basis over the coverage period for recognition as revenue and at all times in the same amount for recognition as an expense. A longer-term deferral of acquisition costs already paid, but not yet recognised as an expense, is carried out only if the acquisition costs were paid for expected future renewals of existing contracts.

The change in the presentation of acquisition costs is not expected to result in material differences in current insurance business after IFRS 17 has been implemented in full.

Expected impact on the insurance service result

As far as the insurance service result is concerned (see the next section for information about insurance finance income or expenses), the Baloise Group anticipates that application of the long-term life insurance contracts measured in accordance with the GMM will result in a reliable component in the insurance service result because the CSM is released over the coverage period. This consists of the release of the expected margins (CSM and RA) and experience adjustments for the period, provided these are not due as policyholders' dividends as a result of participation features.

When the VFA is applied, the shares of experience adjustments attributable to the shareholder will initially be transferred to the CSM and then progressively recognised in profit or loss. This typically results in less volatile profit or loss. Non-distinct investment components will no longer influence the insurance service result in future.

In the Non-Life operating segment, no material impact on the insurance service result is expected due to application of the PPA. There will be effects from the discounting of claims reserves and the subsequent unwinding of the discount, but these are recognised in insurance finance income or expenses.

Expected impact on insurance finance income or expenses

All financial effects from insurance contracts – primarily the impact of discounting and the impact of financial effects on the amount of the fulfilment cash flows – are reported separately in the statement of comprehensive income. For portfolios of insurance contracts and reinsurance contracts, IFRS 17 provides the option to recognise the effects of changed financial assumptions on the LRC and LIC in other comprehensive income (OCI). Baloise exercises this option for all life insurance contracts measured with the GMM, for the non-life claims reserve and for selected VFA contracts. When non-VFA contracts are derecognised from these portfolios, the relevant OCI components are recycled to the income statement.

For contracts recognised under the VFA, all financial effects on fulfilment cash flows and the CSM are offset by the gains and losses on investments attributable to these contracts, while the contributions to profit or loss for the period and to OCI also offset each other. Irrespective of the contributions to profit or loss for the period and to OCI, financial effects from experience adjustments in the period are – in the same way as for the insurance service result – initially added to the CSM. This helps to stabilise profit or loss for the period, even in the case of financial effects.

Transition

Generally, IFRS 17 must be applied retrospectively, i.e. each group of insurance contracts must be accounted for as if IFRS 17 had always been applied. This is known as the fully retrospective approach (FRA). If this approach is impractical, IFRS 17 permits exceptions (modified retrospective approach (MRA) and fair value approach (FVA)).

For the implementation of IFRS 17, the Baloise Group will use the fully retrospective approach for the entire Non-Life operating segment. In the Life operating segment, all entities in the Baloise Group will use the fully retrospective approach for the period starting between 2016 and 2019 (depending on the availability of data) until the time of transition. For earlier periods, the fair value approach will be used for certain portfolios (life insurance business in Germany and Belgium and unit-linked business in Luxembourg) and the modified retrospective approach for all other business. For the purposes of the fair value approach, the difference between the fair value of the group of insurance contracts under IFRS 13 and the group's fulfilment cash flows calculated in accordance with IFRS 17 will be reported as the CSM for the transition.

Use of the transitional provisions will have an influence on the effect of the first-time adoption of IFRS 17 on the Baloise Group's financial position and financial performance. This is because, although the fulfilment cash flows will be calculated prospectively, the CSM will be updated over time and therefore will be partly recognised as a past realisation in equity and partly, as the existing CSM, will not affect the insurance service result and equity until further into the future.

Similarly, the determination of historical discount rates has an impact, particularly on the effects of unwinding the discount on long-term life insurance contracts. The Baloise Group has retrospectively calculated the yield curves up to 2016 on an exact basis and calculated the yield curves for the more recent past up to 2020 on an approximate basis. To do so, it calculated the basic yield curves and applied a spread that remained unchanged over time.

Key figures for the application of IFRS 17

In future, the Baloise Group will mainly use the following insurance key figures: combined ratio, CSM and new business margin. For information purposes, the volume of business will continue to be disclosed even though this is no longer included in the income statement.

IFRS 17 and IFRS 9 implementation project

In connection with the introduction of IFRS 17 and IFRS 9, the Baloise Group initiated the IFRS 17/9 & Finance Transformation implementation project in 2018. This Group-wide project encompasses the methodology and the structure of data flows and the related infrastructure. The project's aim is to enable the Baloise Group to comply with the relevant financial reporting requirements and, in addition, optimise its financial systems and financial processes. The project work is at an advanced stage. IFRS 9 and IFRS 17 are required to be applied from 1 January 2023, with the related IFRS reporting to be provided for the first time in the 2023 half-year report.

At the time of preparation of this report, Baloise did not yet have any finalised quantitative information regarding the effects on the consolidated annual financial statements of implementing IFRS 17 and IFRS 9. The Baloise Group has therefore not yet published any comprehensive quantitative information in the Financial Report for the year ended 31 December 2022.

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

	Balance sheet		Income statement	
	31.12.2021	31.12.2022	Ø 2021	Ø 2022
CHF				
1 EUR (euro)	1.04	0.99	1.08	1.00
1 USD (US dollar)	0.91	0.92	0.91	0.96

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 Baloise 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 Baloise 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 17.2.8.

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

Baloise offers their customers non-life insurance, life insurance and banking products (the latter in Switzerland). Consequently, Baloise 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.

Baloise 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.

To limit risk from investments, the investments are stress-tested using defined capital market scenarios and the effects are monitored on a monthly basis. The capital market scenarios and limits used are reviewed and approved at least once a year.

The main risk categories to which the Banking division of Baloise 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. This ensures that the risks taken on by the individual business units and the Group as a whole are within acceptable and monitored limits. Risks are treated differently, depending on their type. Business risk and investment risk represent Baloise's core business and, to a certain degree, are taken on deliberately. Operational risk, however, is only accepted to the extent that it cannot be further reduced, avoided, or transferred in a cost-effective way.

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

Baloise primarily underwrites insurance risk for private individuals and small and medium-sized enterprises in selected countries in mainland Europe. Industrial insurance policies in the property and liability, marine and technical insurance divisions are mainly offered by Baloise Insurance Ltd in Basel, Baloise Sachversicherung AG in Bad Homburg (Germany) and Baloise Belgium NV in Antwerp.

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, Baloise Insurance Ltd in Switzerland purchased reinsurance cover of up to CHF 1 billion for earthquakes and Baloise Belgium NV 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 Risk

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 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 rating lower than A 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

Baloise 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 2022, 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 4,577.3 million (2021: CHF 4,738.5 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 353.8 million (2021: CHF 365.4 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. At the time of preparation of this report, an agreement was reached on the transfer and sale of this run-off portfolio to a third party. Baloise is awaiting the supervisory authority's final response in connection with this agreement.

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										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
CHF million											
At the end of the year in which the claims occurred	768.5	733.6	707.8	704.8	729.5	759.4	761.7	861.4	861.8	849.1	–
One year later	768.2	715.7	667.8	689.5	728.9	762.6	761.7	841.0	877.7	–	–
Two years later	764.1	701.2	657.6	675.0	707.4	754.0	754.6	849.8	–	–	–
Three years later	764.7	695.9	650.9	673.0	708.2	750.7	755.5	–	–	–	–
Four years later	756.3	688.5	646.0	669.1	712.8	756.4	–	–	–	–	–
Five years later	752.1	681.2	643.9	667.0	712.3	–	–	–	–	–	–
Six years later	752.3	678.4	635.8	664.7	–	–	–	–	–	–	–
Seven years later	743.8	675.5	643.1	–	–	–	–	–	–	–	–
Eight years later	735.1	670.8	–	–	–	–	–	–	–	–	–
Nine years later	733.4	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	733.4	670.8	643.1	664.7	712.3	756.4	755.5	849.8	877.7	849.1	7,512.7
Claims paid	–696.5	–628.5	–597.8	–627.8	–655.7	–690.3	–693.6	–775.9	–744.0	–454.3	–6,564.4
Gross claims reserves	**36.9**	**42.3**	**45.3**	**36.9**	**56.5**	**66.1**	**61.9**	**73.9**	**133.7**	**394.8**	**948.4**
Gross claims reserves prior to 2012 (including large claims and assumed business)											346.0
Gross provision for annuities (non-life, including IBNR)											615.7
Reinsurers' share											–71.0
Net claims reserves											**1,839.1**

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										
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
EUR million											
At the end of the year in which the claims occurred	367.7	306.0	303.2	318.6	340.5	345.5	325.1	336.0	477.5	408.1	–
One year later	370.3	316.1	304.9	314.3	331.2	335.7	325.7	335.1	485.4	–	–
Two years later	371.0	319.9	304.5	313.6	327.8	332.6	327.1	320.6	–	–	–
Three years later	379.3	320.4	301.4	307.4	322.4	332.5	318.0	–	–	–	–
Four years later	379.8	314.5	301.8	305.4	321.6	325.9	–	–	–	–	–
Five years later	380.8	313.3	301.8	305.3	317.8	–	–	–	–	–	–
Six years later	377.9	311.8	303.5	304.2	–	–	–	–	–	–	–
Seven years later	376.3	312.7	304.9	–	–	–	–	–	–	–	–
Eight years later	375.7	312.3	–	–	–	–	–	–	–	–	–
Nine years later	344.4	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	344.4	312.3	304.9	304.2	317.8	325.9	318.0	320.6	485.4	408.1	3,441.4
Claims paid	-338.6	-300.6	-291.4	-292.1	-301.7	-306.8	-297.8	-276.9	-347.2	-164.9	-2,918.1
Gross claims reserves	**5.8**	**11.6**	**13.4**	**12.1**	**16.0**	**19.1**	**20.2**	**43.6**	**138.2**	**243.2**	**523.2**
Gross claims reserves prior to 2012 (including large claims and assumed business)											268.2
Gross provision for annuities (non-life, including IBNR)											133.4
Reinsurers' share											-178.6
Net claims reserves											**746.3**

Estimated cumulative claims incurred in Belgium

	Year in which the claims occurred										
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
EUR million											
At the end of the year in which the claims occurred	403.6	483.7	459.9	470.3	446.8	495.0	643.8 [1]	682.3 [2]	820.3	782.4	–
One year later	402.5	494.3	476.0	478.9	483.9	580.8 [1]	684 [2]	710.2	875.4	–	–
Two years later	398.0	488.7	480.7	470.5	527.2 [1]	592.3 [2]	677.7	739.9	–	–	–
Three years later	396.7	483.4	478.9	493.3 [1]	526.6 [2]	591.5	676.2	–	–	–	–
Four years later	394.4	479.1	491.9 [1]	511.4 [2]	519.4	583.0	–	–	–	–	–
Five years later	388.2	486.4 [1]	499.8 [2]	504.3	516.6	–	–	–	–	–	–
Six years later	395.2 [1]	493.3 [2]	495.4	513.3	–	–	–	–	–	–	–
Seven years later	404.1 [2]	489.2	492.4	–	–	–	–	–	–	–	–
Eight years later	401.4	488.6	–	–	–	–	–	–	–	–	–
Nine years later	397.9	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	397.9	488.6	492.4	513.3	516.6	583.0	676.2	739.9	875.4	782.4	6,065.6
Claims paid	–369.7	–452.6	–427.1	–441.6	–440.8	–489.9	–575.1	–555.2	–629.5	–371.7	–4,753.2
Gross claims reserves	**28.1**	**36.0**	**65.3**	**71.7**	**75.8**	**93.1**	**101.1**	**184.7**	**246.0**	**410.6**	**1,312.4**
Gross claims reserves prior to 2012 (including large claims and assumed business)											489.4
Gross provision for annuities (non-life, including IBNR)											293.9
Reinsurers' share											–540.2
Net claims reserves											**1,555.5**

1 The increase in the total estimated claims incurred is primarily due to the addition of Fidea NV.
2 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										
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
EUR million											
At the end of the year in which the claims occurred	23.6	36.8 [1]	43.8 [2]	49.8	49.6	50.3	50.3	42.0	65.6	55.3	–
One year later	37.8 [1]	40.8 [2]	44.0	47.2	46.3	50.6	49.9	42.4	58.2	–	–
Two years later	41.2 [2]	40.5	44.3	46.3	46.0	50.1	50.0	42.2	–	–	–
Three years later	40.5	40.8	43.9	45.8	45.2	50.3	50.1	–	–	–	–
Four years later	40.7	40.5	43.4	45.4	45.2	50.3	–	–	–	–	–
Five years later	40.6	40.2	43.2	45.2	45.6	–	–	–	–	–	–
Six years later	40.4	39.7	43.0	45.4	–	–	–	–	–	–	–
Seven years later	40.0	39.5	43.2	–	–	–	–	–	–	–	–
Eight years later	40.0	39.6	–	–	–	–	–	–	–	–	–
Nine years later	40.0	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	40.0	39.6	43.2	45.4	45.6	50.3	50.1	42.2	58.2	55.3	469.9
Claims paid	–39.9	–39.5	–42.9	–45.0	–44.9	–49.4	–48.6	–40.3	–53.5	–31.2	–435.1
Gross claims reserves	**0.1**	**0.1**	**0.3**	**0.4**	**0.6**	**0.9**	**1.5**	**1.9**	**4.7**	**24.1**	**34.8**
Gross claims reserves prior to 2012 (including large claims and assumed business)											81.2
Gross provision for annuities (non-life, including IBNR)											–
Reinsurers' share											–63.5
Net claims reserves											**52.4**

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.

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

31.12.2021	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 %

31.12.2022	Switzerland individual life	Switzerland group life	Germany	Belgium	Luxembourg
CHF million					
Technical reserves without guaranteed returns	816.1	1,599.6	3,270.1	38.7	458.3
Technical reserves with 0 % guaranteed returns	384.9	488.0	146.5	142.7	16.8
Technical reserves with guaranteed positive returns	5,782.3	15,899.6	5,495.0	3,125.0	537.3
Average technical interest rate of guaranteed positive returns	2.3 %	1.2 %	2.7 %	2.8 %	1.8 %

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.

Baloise 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.	2021	2022	2021	2022	2021	2022	2021	2022
CHF million								
Actuarial reserves from unit-linked life insurance contracts	867.7	762.3	2,493.8	2,036.8	42.0	38.8	441.0	449.1

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 31.12.2021		Actuarial reserves 31.12.2022	
	CHF million	Share (%)	CHF million	Share (%)
Traditional insurance				
Longevity risk	12,312.6	32.7	12,302.4	34.3
Mortality risk	8,535.9	22.7	7,942.3	22.1
Disability risk	1,651.5	4.4	1,658.0	4.6
BVG retirement assets	11,309.1	30.0	10,674.9	29.8
Sub-total	**33,809.0**	**89.8**	**32,577.6**	**90.8**
Unit-linked				
Longevity risk	2,170.6	5.8	1,789.1	5.0
Mortality risk	1,680.8	4.5	1,503.3	4.2
Sub-total	**3,851.5**	**10.2**	**3,292.5**	**9.2**
Total	**37,660.5**	**100.0**	**35,870.1**	**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 Baloise 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 22 million (2021: CHF 44 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 61 million (2021: CHF 65 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 2022. In Germany, this scenario resulted in marginal changes in DACs, in the reserve for final policyholders' dividends and in the URR (2021: marginal effect). The negative effect recognised directly in equity amounted to approximately CHF 13 million (2021: CHF 12 million). In Belgium, this scenario resulted in a marginal increase in DACs (2021: marginal effect). The negative effect on unrealised gains amounted to CHF 137 million (2021: CHF 169 million). In Luxembourg, this scenario produced a marginal effect on the income statement and a negative effect of roughly CHF 15 million on the unrealised gains and losses recognised in equity (2021: CHF 19 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 13 million on the income statement (2021: CHF 29 million). The negative effect recognised directly in equity amounted to approximately CHF 198 million (2021: CHF 204 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 2022. In Germany, this scenario resulted in marginal changes in DACs, in the reserve for final policyholders' dividends and in the URR (2021: marginal effect). The positive effect recognised directly in equity amounted to CHF 12 million (2021: CHF 12 million). In Belgium, this scenario resulted in an additional DAC write-down. The effect on the income statement is marginal (2021: CHF 1 million). The positive effect on unrealised gains amounted to CHF 145 million (2021: CHF 227 million). In Luxembourg, this scenario produced a marginal effect on the income statement (2021: marginal effect) and a positive effect of roughly CHF 16 million on the unrealised gains and losses recognised in equity (2021: CHF 22 million). At Baloise Life (Liechtenstein) AG, the increase in provisions had a marginally negative effect on the income statement (2021: 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 16 million (2021: CHF 40 million). The positive effect recognised directly in equity amounted to approximately CHF 199 million (2021: CHF 197 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, Baloise also provides 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 Baloise, 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 of Baloise 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 AG a 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 14 million (2021: CHF 41 million). Including the impact on profit for the period, equity (after shadow accounting, deferred gains/losses and deferred taxes) would have risen by CHF 432 million (2021: CHF 328 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 12 million (2021: CHF 30 million). Including the impact on profit for the period, equity (after shadow accounting, deferred gains/losses and deferred taxes) would have fallen by CHF 455 million (2021: CHF 347 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 1.8 million (2021: +/– 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.	**2021**	**2022**	**2021**	**2022**
CHF million				
Forward contracts	17.0	67.6	3.0	1.1
Swaps	–	–	–	–
OTC options	–	–	–	–
Other	–	–	–	–
Traded options	–	–	–	–
Traded futures	–	–	–	–
Total	**17.0**	**67.6**	**3.0**	**1.1**

	2021	**2022**
CHF million		
Amount recognised directly in equity	– 34.8	– 11.9
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 non-Swiss Baloise Group entities do not have any material currency exposure because the non-euro exposure is hedged within the Luxembourg entities.

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 Group is spread across sectors and geographic regions and among a large number of counterparties and customers, Baloise 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. 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

	31.12.2021
CHF million	
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

Financial assets exceeding 10% of consolidated equity

	31.12.2022
CHF million	
Swiss Confederation	3,145.8
Kingdom of Belgium	2,185.1
Republic of France	1,307.4
Pfandbriefbank schweizerischer Hypothekarinstitute AG	1,281.2
Federal Republic of Germany	1,256.1
Pfandbriefzentrale der schweizerischen Kantonalbanken AG	886.7
Kingdom of Spain	702.5
Kingdom of the Netherlands	589.8
Republic of Ireland	486.0

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.

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 the fair value of the financed assets, the loan value and the assessment of affordability are of critical 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 31.12.2021	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**

Credit ratings of financial assets that were neither overdue nor impaired

as at 31.12.2022	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Financial assets of a debt nature						
Public corporations	5,151.6	7,600.7	1,651.1	1,409.9	228.7	16,042.1
Industrial enterprises	44.8	455.3	2,287.1	1,539.2	1,953.3	6,279.7
Financial institutions	3,330.0	309.9	1,215.6	640.3	191.4	5,687.3
Private debt	–	–	–	–	1,223.1	1,223.1
Other	–	5.0	–	–	–	5.0
Mortgages and loans						
Mortgages	105.5	1,167.4	8,892.7	953.9	50.0	11,169.6
Policy loans	–	–	–	–	156.1	156.1
Promissory notes and registered bonds	1,085.5	1,209.9	235.6	340.6	205.1	3,076.7
Time deposits	–	–	54.0	–	157.3	211.3
Employee loans	–	–	–	–	33.0	33.0
Reverse repurchase agreements	–	55.0	–	–	410.0	465.0
Other loans	2.6	28.9	120.8	23.7	69.2	245.3
Derivative financial instruments	95.7	3.6	177.1	1.2	234.6	512.2
Receivables from financial contracts	–	–	–	–	–	–
Reinsurance assets	–	246.5	286.4	11.4	74.7	619.1
Receivables from reinsurers	–	25.9	23.0	0.2	48.7	97.8
Insurance receivables	–	2.6	2.6	–	337.8	343.0
Other receivables	1.1	13.8	65.5	9.7	163.6	253.7
Receivables from investments	94.0	81.1	41.0	36.3	45.8	298.3
Cash and cash equivalents	879.3	373.3	556.3	44.1	192.1	2,045.1
Total	**10,790.3**	**11,579.0**	**15,608.9**	**5,010.5**	**5,774.6**	**48,763.3**

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 2022, financial assets amounting to CHF 0.0 million (2021: CHF 1.7 million) and cash and cash equivalents of 0.0 million (2021: CHF 0.1 million) from collateral received were used.

Financial assets impaired

as at 31.12.	Gross amount	Impairment	Carrying amount 2021	Gross amount	Impairment	Carrying amount 2022
CHF million						
Financial assets of a debt nature						
Public corporations	–	–	–	23.2	–23.2	–
Industrial enterprises	10.7	–10.7	–	13.4	–13.4	–
Financial institutions	6.5	–6.5	–	4.7	–4.7	–
Private debt	–	–	–	–	–	–
Other	–	–	–	–	–	–
Mortgages and loans						
Mortgages	113.7	–23.6	90.2	107.0	–24.6	82.4
Policy loans	–	–	–	–	–	–
Promissory notes and registered bonds	–	–	–	–	–	–
Time deposits	–	–	–	–	–	–
Employee loans	–	–	–	–	–	–
Reverse repurchase agreements	–	–	–	–	–	–
Other loans	1.2	–1.2	0.0	60.6	–0.5	60.1
Receivables from financial contracts	–	–	–	–	–	–
Reinsurance assets	–	–	–	–	–	–
Receivables from reinsurers	1.1	–1.1	0.0	2.2	–1.6	0.6
Insurance receivables	103.7	–44.8	58.9	152.9	–43.2	109.8
Other receivables	2.4	–1.7	0.7	3.5	–2.7	0.8
Receivables from investments	20.0	–1.8	18.1	27.0	–1.3	25.7
Total	**259.2**	**–91.3**	**167.9**	**394.6**	**–115.2**	**279.4**

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**

Financial assets overdue but not impaired

as at 31.12.2022	< 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	–	–	3.3	–	3.3
Policy loans	–	–	–	–	–
Promissory notes and registered bonds	–	–	–	–	–
Time deposits	–	–	–	–	–
Employee loans	–	–	–	–	–
Reverse repurchase agreements	–	–	–	–	–
Other loans	–	–	–	–	–
Receivables from financial contracts	–	–	–	–	–
Reinsurance assets	–	–	15.4	16.1	31.5
Receivables from reinsurers	–	–	–	–	–
Insurance receivables	23.1	13.4	10.3	7.8	54.6
Other receivables	0.1	0.0	0.0	0.1	0.2
Receivables from investments	–	–	–	–	–
Total	**23.2**	**13.4**	**29.0**	**24.0**	**89.6**

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 31.12.2021	< 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**	**–**

Liquidity risk as at 31.12.2022	< 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	3,843.3	1.7	1.7	88.5	3,935.3	3,935.3
Measured at amortised cost	5,863.6	360.2	382.6	1,370.2	7,976.6	7,976.6
Recognised at fair value through profit or loss	1,193.6	4.7	10.3	11,455.7	12,664.4	12,664.4
Financial liabilities	560.2	390.1	509.2	1,256.1	2,715.5	2,609.6
Derivative financial instruments (net cash flows)	88.0	0.3	1.9	45.9	136.1	136.1
Insurance liabilities	1,118.5	621.6	–	0.2	1,740.3	1,740.3
Other liabilities	728.7	26.0	3.2	12.3	770.2	767.2
Total	**13,396.0**	**1,404.6**	**908.9**	**14,229.0**	**29,938.5**	**29,829.5**
Guarantees and future liabilities						
Guarantees	33.2	1.9	0.4	10.2	45.8	–
future liabilities	1,316.2	697.0	9.1	7.3	2,029.6	–
Total	**1,349.4**	**698.9**	**9.5**	**17.5**	**2,075.3**	**–**

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 time as the reinsurer assumes the costs.

If these precautions fail to meet the need for liquidity, Baloise 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

Baloise 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)	
	2021	2022	2021	2022
CHF million				
Market price plus 10%	38.9	45.7	302.7	269.9
Market price minus 10%	–49.2	–57.7	–305.8	–276.2

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	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	SARON, 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	–
Mortgages and loans			
Carried at cost	Present-value model	Swap curve, individual spread	–
Investment property	DCF method	Discount rate[1]	2.25% – 4.20%[3]
		Rental income[2]	300 – 320 CHF million[3]
		Vacancy costs[1]	12 – 19 CHF million[3]
		Running costs[1]	29 – 36 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

Baloise 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 Baloise 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

31.12.2021	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 own account and at own risk

31.12.2022	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	4,093.1	4,093.1	1,911.8	328.8	1,852.5
Recognised at fair value through profit or loss	526.4	526.4	409.2	117.2	–
Financial instruments with characteristics of liabilities					
Held to maturity	5,809.6	5,688.0	5,688.0	–	–
Available for sale	23,421.3	23,421.3	20,697.5	2,723.8	–
Recognised at fair value through profit or loss	6.3	6.3	6.3	–	–
Mortgages and loans					
Carried at cost	14,676.4	13,758.7	–	10,508.9	3,249.7
Recognised at fair value through profit or loss	826.4	826.4	–	826.4	–
Derivative financial instruments	512.2	512.2	8.7	503.5	–
Other receivables					
Carried at cost	254.7	257.0	–	–	257.0
Receivables from investments					
Carried at cost	324.0	324.0	231.7	26.8	65.5
Investment property	8,495.1	8,495.1	–	–	8,495.1
Liabilities measured on a recurring basis					
Liabilities arising from banking business and financial contracts					
Measured at amortised cost	7,976.6	7,592.5	–	7,560.2	32.3
Recognised at fair value through profit or loss	613.8	613.8	–	613.8	–
Derivative financial instruments	136.1	136.1	0.9	135.2	–
Financial liabilities [1]	2,583.8	2,397.1	2,397.1	–	–

1 Excluding leasing liabilities.

Fair value of assets and liabilities for the account and at the risk of life insurance policyholders and third parties

31.12.2021	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	–	–	–	–	–

Fair value of assets and liabilities
for the account and at the risk of life insurance policyholders and third parties

31.12.2022	Total carrying amount	Total fair value	Level 1	Level 2	Level 3
CHF million					
Assets measured on a recurring basis					
Financial instruments with characteristics of equity					
Recognised at fair value through profit or loss	11,656.4	11,656.4	11,250.0	–	406.5
Financial instruments with characteristics of liabilities					
Recognised at fair value through profit or loss	2,147.1	2,147.1	1,830.1	204.9	112.1
Mortgages and loans					
Recognised at fair value through profit or loss	–	–	–	–	–
Derivative financial instruments	300.7	300.7	–	300.7	–
Liabilities measured on a recurring basis					
Liabilities arising from banking business and financial contracts					
Recognised at fair value through profit or loss	12,050.6	12,050.6	11,845.7	204.9	–
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

	Financial instruments with characteristics of equity	Investment property	Derivative financial instruments (liabilities)	Total
2021	**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 own account and at own risk and classified as Level 3

2022	Financial instruments with characteristics of equity Available for sale	Investment property Recognised at fair value through profit or loss	Derivative financial instruments (liabilities)	Total
CHF million				
Assets and liabilities measured on a recurring basis				
Balance as at 1 January	**1,818.5**	**8,464.5**	**–**	**10,283.0**
Additions	166.4	142.0	–	308.4
Additions arising from change in the scope of consolidation	–	–	–	–
Disposals	–108.2	–92.1	–	–200.3
Disposals arising from change in the scope of consolidation	–	–	–	–
Reclassified to level 3	–	–	–	–
Reclassified from level 3	–	–24.1	–	–24.1
Reclassification to non-current assets classified as held for sale	–	–168.4	–	–168.4
Changes in fair value recognised in profit or loss [1]	–1.9	242.7	–3.1	237.7
Changes in fair value not recognised in profit or loss	26.8	–	3.1	29.9
Exchange differences	–49.1	–69.6	–	–118.7
Balance as at 31 December	**1,852.5**	**8,495.1**	**–**	**10,347.5**
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	**–21.0**	**240.7**	**–**	**219.7**

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.

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

2022	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	**363.7**	**130.5**	**494.1**
Additions	58.3	17.9	76.2
Additions arising from change in the scope of consolidation	–	–	–
Disposals	– 33.4	– 32.3	– 65.6
Disposals arising from change in the scope of consolidation	–	–	–
Reclassified to level 3	1.3	2.8	4.1
Reclassified from level 3	– 0.1	–	– 0.1
Changes in fair value recognised in profit or loss [1]	35.3	– 0.7	34.6
Exchange differences	– 18.6	– 6.0	– 24.6
Balance as at 31 December	**406.5**	**112.1**	**518.6**
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	**35.3**	**– 0.7**	**34.6**

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 2021.

Reclassification of assets and liabilities to and from level 3

The reclassification of investment property from level 3 in 2022 was due to the change of use of a property in Switzerland.

In 2021, the reclassifications made from and to investment properties were attributable to the changes of use of a property and of Baloise Park in Basel.

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), Baloise 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. 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 Baloise 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 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 Baloise to meet external reporting requirements at all times.

6. Basis of consolidation

6.1 2021 financial year

6.1.1 Acquisitions and foundations

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.

6.1.2 Disposals

No companies were sold during 2021.

6.1.3 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.

6.2 2022 financial year

6.2.1 Acquisitions and foundations

No companies were acquired or founded in 2022.

6.2.2 Disposals

No companies were sold during the year under review.

6.2.3 Other changes in the group of consolidated companies

Baloise Finance (Jersey) Ltd. was liquidated in the first half of 2022.

The long-term equity investment in FRIDAY Insurance S.A. increased by 1.2 per cent to a total of 88.61 per cent in 2022 as a result of an additional capital transaction.

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 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.

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	
	2021	2022	2021	2022	2021	2022
CHF million						
Income						
Premiums earned and policy fees (gross)	4,115.2	3,939.7	1,214.1	1,189.9	1,821.9	1,728.9
Reinsurance premiums ceded	–99.0	–100.6	–98.2	–98.8	–182.5	–188.6
Premiums earned and policy fees (net)	4,016.1	3,839.2	1,115.9	1,091.1	1,639.5	1,540.3
Investment income	743.9	755.7	177.4	169.5	229.6	221.4
Realised gains and losses on investments						
For own account and at own risk	194.1	52.1	169.6	66.6	34.5	24.5
For the account and at the risk of life insurance policyholders and third parties	42.6	–116.4	376.0	–309.1	89.5	–143.0
Income from services rendered	107.8	116.4	8.6	4.8	5.6	5.9
Share of profit (loss) of associates	–2.8	0.4	8.2	6.8	–0.6	–0.2
Other operating income	108.7	96.8	50.3	23.9	28.7	28.2
Income	**5,210.4**	**4,744.2**	**1,906.0**	**1,053.6**	**2,026.8**	**1,677.2**
Intersegment income	–34.0	–40.2	14.5	17.3	59.7	71.9
Income from associates	–2.5	0.4	8.2	6.8	–0.5	–0.2
Expense						
Claims and benefits paid (gross)	–3,591.2	–4,249.4	–912.2	–900.4	–1,107.6	–1,033.2
Change in technical reserves (gross)	–257.2	743.4	–718.3	288.3	–182.5	–191.0
Reinsurers' share of claims incurred	82.1	35.4	252.9	63.5	211.2	217.8
Acquisition costs	–54.2	–16.9	–190.6	–210.0	–384.5	–344.0
Operating and administrative expenses for insurance business	–447.9	–457.0	–163.2	–160.0	–164.1	–169.4
Investment management expenses	–80.6	–84.2	–29.8	–25.1	–21.6	–18.2
Interest expenses on insurance liabilities	–0.2	–0.3	–13.1	–11.1	–0.2	–0.1
Gains or losses on financial contracts	–19.1	101.6	–3.2	–1.7	–154.4	73.5
Other operating expenses	–257.4	–276.0	–86.1	–66.0	–74.1	–62.8
Expense	**–4,625.9**	**–4,203.3**	**–1,863.5**	**–1,022.5**	**–1,877.8**	**–1,527.5**
Profit / loss before borrowing costs and taxes	**584.6**	**540.9**	**42.5**	**31.1**	**149.0**	**149.7**
Borrowing costs	–10.3	–10.3	0.0	0.0	0.0	0.0
Profit / loss before taxes	**574.2**	**530.6**	**42.5**	**31.0**	**149.0**	**149.7**
Income taxes	–78.3	–78.7	–20.6	–7.5	–28.4	–28.6
Profit / loss for the period (segment result)	**495.9**	**451.9**	**21.9**	**23.6**	**120.6**	**121.1**
Segment assets as at 31.12.	47,902.3	44,065.3	13,069.3	11,348.2	14,745.7	12,596.6

Luxembourg		Sub-total		Group business		Eliminated		Total	
2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
219.8	208.2	7,371.1	7,066.8	163.8	176.4	-118.7	-133.7	7,416.2	7,109.5
-24.4	-24.7	-404.1	-412.7	-41.1	-38.9	118.7	133.7	-326.5	-317.8
195.5	183.6	6,967.0	6,654.1	122.8	137.6	0.0	0.0	7,089.7	6,791.7
18.1	19.3	1,169.0	1,165.9	17.2	17.9	-26.7	-26.6	1,159.5	1,157.2
5.6	2.2	403.8	145.4	-33.3	-21.4	–	–	370.5	124.0
993.1	-1,435.7	1,501.2	-2,004.2	33.0	-53.7	–	–	1,534.2	-2,057.9
21.3	21.8	143.2	148.9	168.6	161.9	-181.3	-180.8	130.6	130.0
–	–	4.9	7.1	–	-2.2	–	–	4.9	4.9
36.3	34.6	224.0	183.5	29.5	34.8	-40.3	-40.0	213.2	178.2
1,269.9	**-1,174.2**	**10,413.1**	**6,300.7**	**337.7**	**274.9**	**-248.3**	**-247.5**	**10,502.5**	**6,328.1**
9.4	10.3	49.5	59.3	-297.8	-306.9	248.3	247.5	–	–
–	–	5.3	7.1	–	-2.2	–	–	5.3	4.9
-124.6	-107.5	-5,735.7	-6,290.5	-152.4	-156.3	74.7	96.3	-5,813.4	-6,350.5
-70.6	43.6	-1,228.6	884.3	27.1	32.6	16.8	12.1	-1,184.7	929.0
36.2	10.1	582.4	326.7	38.7	33.4	-91.5	-108.4	529.6	251.7
-19.6	-21.5	-648.9	-592.4	-8.3	-5.6	1.5	1.4	-655.6	-596.6
-70.7	-67.5	-845.9	-853.8	-9.3	-11.8	-1.5	-1.4	-856.7	-867.0
-2.0	-1.7	-134.0	-129.2	-7.7	-8.6	17.4	14.9	-124.4	-122.9
-0.2	-1.3	-13.7	-12.8	-0.2	–	0.3	1.2	-13.6	-11.6
-971.2	1,368.6	-1,147.9	1,541.9	-47.1	41.3	26.8	26.7	-1,168.3	1,609.9
-34.6	-34.8	-452.2	-439.6	-244.6	-230.0	203.8	204.8	-493.0	-464.8
-1,257.3	**1,188.0**	**-9,624.5**	**-5,565.3**	**-403.8**	**-305.1**	**248.3**	**247.5**	**-9,780.0**	**-5,622.8**
12.5	**13.8**	**788.7**	**735.4**	**-66.1**	**-30.1**	**–**	**–**	**722.5**	**705.3**
-0.1	0.0	-10.5	-10.4	-14.2	-12.1	–	–	-24.7	-22.4
12.5	**13.7**	**778.2**	**725.1**	**-80.3**	**-42.2**	**–**	**–**	**697.9**	**682.9**
4.3	0.9	-122.9	-113.9	8.3	-24.5	–	–	-114.6	-138.4
16.8	**14.7**	**655.3**	**611.2**	**-72.0**	**-66.8**	**–**	**–**	**583.3**	**544.5**
14,482.2	12,564.6	90,199.4	80,574.7	2,552.3	2,493.8	-2,772.7	-2,518.4	89,979.0	80,550.1

7.2 Segment reporting by operating segment

	Non-Life		Life	
	2021	2022	2021	2022
CHF million				
Income				
Premiums earned and policy fees (gross)	4,026.5	3,948.7	3,389.7	3,160.8
Reinsurance premiums ceded	–279.1	–280.9	–47.4	–36.9
Premiums earned and policy fees (net)	3,747.4	3,667.8	3,342.3	3,123.9
Investment income	151.9	157.3	936.1	928.4
Realised gains and losses on investments				
For own account and at own risk	32.6	29.6	372.5	139.1
For the account and at the risk of life insurance policyholders and third parties	–	–	1,501.4	–2,004.8
Income from services rendered	48.2	53.9	22.7	23.4
Share of profit (loss) of associates	–1.3	–0.2	1.4	3.2
Other operating income	47.5	52.4	179.7	136.8
Income	**4,026.4**	**3,960.7**	**6,356.1**	**2,350.0**
Intersegment income	–48.6	–52.5	–39.8	–37.3
Income from associates	–1.2	–0.2	1.4	3.2
Expense				
Claims and benefits paid (gross)	–2,541.8	–2,518.8	–3,271.6	–3,831.8
Change in technical reserves (gross)	–227.8	73.6	–956.8	855.4
Reinsurers' share of claims incurred	498.0	222.6	31.6	29.2
Acquisition costs	–622.1	–581.6	–33.6	–15.0
Operating and administrative expenses for insurance business	–564.6	–572.0	–292.0	–295.0
Investment management expenses	–32.4	–28.5	–111.5	–104.7
Interest expenses on insurance liabilities	–0.3	–0.2	–13.2	–11.4
Gains or losses on financial contracts	–16.8	–14.3	–1,128.6	1,527.3
Other operating expenses	–214.6	–219.7	–173.6	–127.4
Expense	**–3,722.6**	**–3,639.0**	**–5,949.4**	**–1,973.3**
Profit / loss before borrowing costs and taxes	**303.9**	**321.7**	**406.7**	**376.7**
Borrowing costs	–0.3	–0.2	–10.2	–10.2
Profit / loss before taxes	**303.6**	**321.5**	**396.5**	**366.5**
Income taxes	–32.9	–74.5	–74.4	–50.7
Profit / loss for the period (segment result)	**270.7**	**247.0**	**322.1**	**315.8**

	Asset Management & Banking		Other activities		Eliminated		Total	
	2021	2022	2021	2022	2021	2022	2021	2022
	–	–	–	–	–	–	7,416.2	7,109.5
	–	–	–	–	–	–	–326.5	–317.8
	–	–	–	–	–	–	7,089.7	6,791.7
	82.0	82.1	15.5	15.5	–26.1	–26.1	1,159.5	1,157.2
	–16.6	–43.6	–18.0	–1.1	–	–	370.5	124.0
	–	–	32.7	–53.1	–	–	1,534.2	–2,057.9
	166.3	160.5	181.2	169.0	–287.9	–276.8	130.6	130.0
	–0.3	0.0	5.1	2.0	–	–	4.9	4.9
	17.6	17.8	14.4	15.2	–46.1	–43.9	213.2	178.2
	249.1	**216.8**	**231.0**	**147.5**	**–360.0**	**–346.8**	**10,502.5**	**6,328.1**
	–87.3	–82.7	–184.3	–174.3	360.0	346.8	–	–
	–	0.0	5.1	2.0	–	–	5.3	4.9
	–	–	–	–	–	–	–5,813.4	–6,350.5
	–	–	–	–	–	–	–1,184.7	929.0
	–	–	–	–	–	–	529.6	251.7
	–	–	–	–	–	–	–655.6	–596.6
	–	–	–	–	–	–	–856.7	–867.0
	–64.1	–68.5	–0.1	–0.1	83.7	78.9	–124.4	–122.9
	–	–	–	–	–	–	–13.6	–11.6
	–2.7	29.4	–46.2	41.3	26.1	26.2	–1,168.3	1,609.9
	–99.8	–114.2	–255.2	–245.2	250.3	241.7	–493.0	–464.8
	–166.6	**–153.3**	**–301.5**	**–204.0**	**360.0**	**346.8**	**–9,780.0**	**–5,622.8**
	82.5	**63.5**	**–70.5**	**–56.5**	**–**	**–**	**722.5**	**705.3**
	0.0	0.0	–14.1	–12.0	–	–	–24.7	–22.4
	82.4	**63.5**	**–84.6**	**–68.5**	**–**	**–**	**697.9**	**682.9**
	–12.0	–9.9	4.7	–3.4	–	–	–114.6	–138.4
	70.4	**53.6**	**–79.9**	**–71.9**	**–**	**–**	**583.3**	**544.5**

Notes to the consolidated balance sheet

8. Property, plant and equipment

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.

2022	Land	Buildings	Operating equipment	Machinery, furniture and vehicles	Hardware	Right-of-use assets	Total
CHF million							
Balance as at 1 January	**62.6**	**254.2**	**42.4**	**18.5**	**15.5**	**26.3**	**419.5**
Additions	0.1	1.6	3.0	5.3	4.6	12.6	27.3
Additions arising from change in the scope of consolidation	–	–	–	–	–	–	–
Disposals	−0.5	−2.5	−0.6	−0.3	0.0	−0.8	−4.6
Disposals arising from change in the scope of consolidation	–	–	–	–	–	–	–
Reclassification	–	24.1	–	–	–	–	24.1
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–	–
Depreciation and impairment							
Depreciation	–	−8.5	−8.0	−4.5	−8.8	−11.7	−41.5
Impairment losses recognised in profit or loss	–	−5.5	−0.8	–	–	–	−6.3
Reversal of impairment losses recognised in profit or loss	–	–	–	–	–	–	–
Exchange differences	−0.5	−5.0	−0.2	−0.4	−0.2	−0.6	−6.9
Balance as at 31 December	**61.7**	**258.5**	**35.9**	**18.6**	**11.0**	**25.7**	**411.5**
Acquisition costs	62.6	541.7	114.8	67.4	79.2	81.3	947.1
Accumulated depreciation and impairment	−0.9	−283.2	−78.8	−48.8	−68.2	−55.6	−535.5
Balance as at 31 December	**61.7**	**258.5**	**35.9**	**18.6**	**11.0**	**25.7**	**411.5**

Depreciation and impairment form part of other operating expenses.

9. Intangible assets

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.

2022	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	**99.9**	**2.8**	**754.0**	**157.8**	**165.9**	**1,180.4**
Additions arising from change in the scope of consolidation	–	–	–	–	–	–
Additions	–	–	–	–	31.3	31.3
Capitalisation of acquisition costs	–	–	103.8	333.0	–	436.8
Disposals	–	–	–	–	- 0.8	- 0.8
Disposals arising from change in the scope of consolidation	0.2	–	–	–	–	0.2
Reclassification	–	–	–	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–
Amortisation and impairment						
Amortisation	–	- 0.8	- 14.9	- 332.4	- 49.7	- 397.7
Write-ups	–	–	2.0	–	–	2.0
Impairment losses recognised in profit or loss	–	–	–	–	–	–
Reversal of impairment losses recognised in profit or loss	–	–	–	–	–	–
Changes due to impending losses	–	–	–	6.5	–	6.5
Change due to unrealised gains and losses on financial instruments (shadow accounting)	–	–	197.0	–	–	197.0
Exchange differences	- 3.8	- 0.1	- 34.1	- 6.2	- 5.6	- 49.8
Balance as at 31 December	**96.3**	**1.9**	**1,007.7**	**158.8**	**141.1**	**1,405.9**
Acquisition costs	241.8	–	–	–	696.3	–
Accumulated amortisation and impairment	- 145.5	–	–	–	- 555.2	–
Balance as at 31 December[1]	**96.3**	**1.9**	**1,007.7**	**158.8**	**141.1**	**1,405.9**
Segment as at 31 December 2022						
Switzerland	25.6	–	241.9	31.8	34.6	333.9
Germany	14.3	1.9	649.7	32.7	1.0	699.7
Belgium	35.4	–	104.0	87.2	57.6	284.2
Luxembourg	20.9	–	12.1	4.6	4.9	42.6
Group business	–	–	–	2.5	43.0	45.5
Total for geographic regions	**96.3**	**1.9**	**1,007.7**	**158.8**	**141.1**	**1,405.9**

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	
	2021	2022	2021	2022	2021	2022
Baloise Versicherung AG	25.6	25.6	7.8	7.1	1.5	1.0
Baloise Financial Services GmbH	13.1	12.5	6.8	7.1	1.0	1.0
Baloise Vie Luxembourg S.A.	6.5	7.7	7.0	7.7	2.5	2.5
Baloise Assurances Luxembourg S.A.	14.9	12.8	7.0	7.7	2.5	2.5
Baloise Belgium NV	36.1	34.3	7.0	7.6	2.6	2.5

The impairment test in 2022 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 2022 or in 2021, to the carrying amount of an entity being significantly higher than its recoverable value.

10. Investment property

CHF million	2021	2022
Balance as at 1 January	**8,410.3**	**8,464.5**
Additions	101.6	142.0
Additions arising from change in scope of consolidation	–	–
Disposals	–238.5	–92.1
Disposals arising from change in scope of consolidation	–	–
Reclassification	2.1	–24.1
Reclassification to non-current assets classified as held for sale	–	–168.4
Change in fair value	251.1	242.7
Exchange differences	–62.1	–69.6
Balance as at 31 December	**8,464.5**	**8,495.1**
Operating expenses arising from investment property that generates rental income	78.9	82.3
Operating expenses arising from investment property that does not generate rental income	–	–

The additions to investment properties recognised in 2022 predominantly related to the purchase of properties in Switzerland (CHF 92.0 million) and Belgium (CHF 41.0 million). The disposals largely resulted from properties sold in Germany (CHF 79.2 million). The reclassification of investment property from level 3 in 2022 was due to the change of use of a property in Switzerland.

In 2021, the reclassifications made to and from investment properties were attributable to the changes of use of a property and of Baloise Park in Basel.

11. Financial assets

CHF million	31.12.2021	31.12.2022
Financial assets of an equity nature		
Available for sale	4,681.7	4,093.1
Recognised at fair value through profit or loss	501.6	526.4
Financial assets of a debt nature		
Held to maturity	6,375.5	5,809.6
Available for sale	28,502.8	23,421.3
Recognised at fair value through profit or loss	7.9	6.3
Financial assets for own account and at own risk	**40,069.5**	**33,856.6**
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]	16,064.0	13,803.5
Financial assets as reported on the balance sheet	**56,133.5**	**47,660.1**

1 Of which financial assets totalling CHF 86.3 million (2021: CHF 114.8 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.	**2021**	**2022**
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	6,375.5	5,809.6
Publicly listed, variable interest rate	–	–
Not publicly listed, fixed-interest rate	–	–
Not publicly listed, variable interest rate	–	–
Total	**6,375.5**	**5,809.6**

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			
	2021	2022	2021	2022	2021	2022	2021	2022
	2,505.6	1,911.8	–	–	424.4	409.2	2,930.0	2,320.9
	2,176.1	2,181.3	–	–	77.2	117.2	2,253.3	2,298.5
	4,681.7	**4,093.1**	**–**	**–**	**501.6**	**526.4**	**5,183.3**	**4,619.4**
	25,350.4	20,465.3	–	–	–	–	31,726.0	26,274.9
	255.5	232.2	–	–	7.9	6.3	263.4	238.4
	2,896.9	2,723.8	–	–	–	–	2,896.9	2,723.8
	–	–	–	–	–	–	–	–
	28,502.8	**23,421.3**	**–**	**–**	**7.9**	**6.3**	**34,886.3**	**29,237.1**

Financial assets for own account and at own risk

as at 31.12.	Held to maturity 2021	Held to maturity 2022
CHF million		
Equities	–	–
Equity funds	–	–
Mixed funds	–	–
Bond funds	–	–
Real estate funds	–	–
Private equity	–	–
Hedge funds	–	–
Financial assets of an equity nature	**–**	**–**
Public corporations	5,750.3	5,290.0
Industrial enterprises	–	–
Financial institutions	615.3	514.6
Private debt	–	–
Other	10.0	5.0
Financial assets of a debt nature	**6,375.5**	**5,809.6**
Total	**6,375.5**	**5,809.6**
Secured financial assets of a debt nature		
Public corporations	10.4	–
Industrial enterprises	–	–
Financial institutions	588.7	493.1
Private debt	–	–
Other	–	–
Total	**599.1**	**493.1**

The private debt investments are investments in a Dutch mortgage investment fund. This 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			
	2021	2022	2021	2022	2021	2022	2021	2022
	2,272.9	1,568.0	–	–	–	–	2,272.9	1,568.0
	105.6	76.5	–	–	47.0	44.6	152.6	121.1
	214.6	176.0	–	–	441.7	470.3	656.3	646.3
	141.6	291.3	–	–	9.8	9.9	151.4	301.2
	710.1	740.6	–	–	3.1	1.6	713.1	742.2
	1,236.7	1,240.7	–	–	–	–	1,236.7	1,240.7
	0.2	0.0	–	–	–	–	0.2	0.0
	4,681.7	**4,093.1**	**–**	**–**	**501.6**	**526.4**	**5,183.3**	**4,619.4**
	13,614.3	10,752.1	–	–	–	–	19,364.5	16,042.1
	7,479.8	6,279.7	–	–	–	–	7,479.8	6,279.7
	6,170.6	5,166.4	–	–	7.9	6.3	6,793.8	5,687.3
	1,238.1	1,223.1	–	–	–	–	1,238.1	1,223.1
	–	–	–	–	–	–	10.0	5.0
	28,502.8	**23,421.3**	**–**	**–**	**7.9**	**6.3**	**34,886.3**	**29,237.1**
	33,184.5	**27,514.3**	**–**	**–**	**509.5**	**532.6**	**40,069.5**	**33,856.6**
	89.8	44.4	–	–	–	–	100.2	44.4
	1,605.4	1,452.6	–	–	–	–	1,605.4	1,452.6
	3,599.5	2,930.8	–	–	–	–	4,188.2	3,423.9
	1,238.1	1,223.1	–	–	–	–	1,238.1	1,223.1
	–	–	–	–	–	–	–	–
	6,532.8	**5,650.9**	**–**	**–**	**–**	**–**	**7,131.9**	**6,144.0**

Fair value of financial assets classified as held to maturity

	Carrying amount		Fair value	
as at 31.12.	**2021**	**2022**	**2021**	**2022**
CHF million				
Public corporations	5,750.3	5,290.0	6,957.6	5,195.7
Industrial enterprises	–	–	–	–
Financial institutions	615.3	514.6	667.9	487.3
Private debt	–	–	–	–
Other	10.0	5.0	10.3	5.0
Total	**6,375.5**	**5,809.6**	**7,635.8**	**5,688.0**

12. Mortgages and loans

	Gross amount		Impairment		Carrying amount		Fair value	
as at 31.12.	2021	2022	2021	2022	2021	2022	2021	2022
CHF million								
Mortgages and loans carried at cost								
Mortgages	10,311.5	10,453.6	-23.6	-24.6	10,287.9	10,429.0	10,629.5	10,043.9
Policy loans	153.6	156.0	–	–	153.6	156.0	156.9	128.2
Promissory notes and registered bonds	3,688.2	3,076.7	–	–	3,688.2	3,076.7	3,934.9	2,575.4
Time deposits	566.1	211.3	–	–	566.1	211.3	566.1	211.3
Employee loans	28.8	33.0	–	–	28.8	33.0	29.2	32.8
Reverse repurchase agreements	185.0	465.0	–	–	185.0	465.0	185.0	465.0
Other loans	209.0	305.9	-1.2	-0.5	207.8	305.4	212.8	302.1
Sub-total	**15,142.2**	**14,701.5**	**-24.7**	**-25.1**	**15,117.5**	**14,676.4**	**15,714.3**	**13,758.7**
Mortgages and loans recognised at fair value through profit or loss								
Mortgages	981.4	826.3	–	–	981.4	826.3	981.4	826.3
Policy loans	0.1	0.1	–	–	0.1	0.1	0.1	0.1
Sub-total	**981.5**	**826.4**	**–**	**–**	**981.5**	**826.4**	**981.5**	**826.4**
Mortgages and loans	**16,123.7**	**15,527.9**	**-24.7**	**-25.1**	**16,098.9**	**15,502.8**	**16,695.8**	**14,585.0**

Impairment of mortgages and loans

	2021	2022
CHF million		
Balance as at 1 January	**–19.7**	**–24.7**
Usage not recognised in profit or loss	0.1	–
Unused provisions reversed through profit or loss	1.0	5.2
Increases and additional provisions recognised in profit or loss	–6.1	–5.6
Disposal arising from change in scope of consolidation	–	–
Reclassification	–	–
Reclassification to non-current assets classified as held for sale	–	–
Currency translation	0.0	0.0
Balance as at 31 December	**–24.7**	**–25.1**

13. Derivative financial instruments

	Fair value assets		Fair value liabilities	
as at 31.12.	**2021**	**2022**	**2021**	**2022**
CHF million				
Derivative financial instruments for own account and at own risk	583.3	512.2	89.8	136.1
Derivative financial instruments for the account and at the risk of life insurance policyholders and third parties	318.8	300.7	–	–
Derivative financial instruments as reported on the balance sheet	**902.1**	**812.9**	**89.8**	**136.1**

as at 31.12.	Contract value 2021	Contract value 2022	Fair value assets 2021	Fair value assets 2022	Fair value liabilities 2021	Fair value liabilities 2022
CHF million						
Interest rate instruments						
Forward contracts	–	–	–	–	–	–
Swaps	1,244.2	1,155.8	16.2	75.4	17.3	47.9
OTC options	–	–	–	–	–	–
Other	3.9	4.3	390.3	327.7	47.3	37.8
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Sub-total	**1,248.1**	**1,160.1**	**406.4**	**403.1**	**64.6**	**85.7**
Equity instruments						
Forward contracts	–	–	–	–	–	–
OTC options	1,942.2	1,157.1	25.3	6.9	–	–
Traded options	161.6	33.4	10.7	2.4	14.4	0.9
Traded futures	–	–	–	–	–	–
Sub-total	**2,103.8**	**1,190.5**	**36.0**	**9.4**	**14.4**	**0.9**
Foreign currency instruments						
Forward contracts	7,683.4	8,247.2	140.9	99.7	10.9	49.5
Swaps	–	–	–	–	–	–
OTC options	–	–	–	–	–	–
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Sub-total	**7,683.4**	**8,247.2**	**140.9**	**99.7**	**10.9**	**49.5**
Total	**11,035.3**	**10,597.8**	**583.3**	**512.2**	**89.8**	**136.1**
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	1,637.3	1,951.8	17.0	67.6	3.0	1.1

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

14. Receivables

	Gross amount		Impairment		Carrying amount		Fair value	
as at 31.12.	2021	2022	2021	2022	2021	2022	2021	2022
CHF million								
Receivables carried at cost								
Receivables from investments	336.7	325.3	-1.8	-1.3	334.9	324.0	334.9	324.0
Other receivables	273.0	257.4	-1.7	-2.7	271.3	254.7	273.0	257.0
Receivables	**609.7**	**582.7**	**-3.5**	**-4.0**	**606.2**	**578.7**	**607.9**	**581.0**

Impairment of receivables

	2021	2022
CHF million		
Balance as at 1 January	**-2.8**	**-3.5**
Usage not recognised in profit or loss	-0.3	-0.2
Unused provisions reversed through profit or loss	1.4	1.5
Increases and additional provisions recognised in profit or loss	-1.9	-1.8
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	**-3.5**	**-4.0**

15. Reinsurance assets

	2021	2022
CHF million		
Reinsurers' share of technical reserves as at 1 January	**677.7**	**823.9**
Change in unearned premium reserves	-7.3	3.4
Benefits paid	-331.9	-373.9
Interest on and change in liability	515.4	241.9
Additions/disposals arising from change in scope of consolidation	–	–
Impairment	–	–
Reclassification to non-current assets classified as held for sale	–	-11.4
Exchange differences	-30.0	-33.2
Reinsurers' share of technical reserves as at 31 December	**823.9**	**650.6**

16. Receivables from reinsurers

CHF million	2021	2022
Reinsurance deposits as at 1 January	**13.7**	**14.1**
Additions	1.2	0.6
Disposals	–0.2	–0.1
Additions / disposals arising from change in scope of consolidation	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	–	–
Exchange differences	–0.6	–0.7
Reinsurance deposits as at 31 December	**14.1**	**13.9**
Other reinsurance receivables as at 1 January	**105.2**	**157.8**
Additions	355.8	421.1
Disposals	–302.0	–491.1
Additions / disposals arising from change in scope of consolidation	–	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	–1.1	–1.7
Other reinsurance receivables as at 31 December	**157.8**	**86.1**
Impairment of receivables from reinsurers as at 1 January	**–1.1**	**–1.1**
Usage not recognised in profit or loss	–0.1	–
Unused provisions reversed through profit or loss	0.0	–
Increases and additional provisions recognised in profit or loss	–	–0.5
Disposal arising from change in scope of consolidation	–	–
Reclassification to non-current assets classified as held for sale	–	–
Currency translation	0.0	–
Impairment of receivables from reinsurers as at 31 December	**–1.1**	**–1.6**
Receivables from reinsurers as at 31 December	**170.7**	**98.4**

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.	**2021**	**2022**	**2021**	**2022**
CHF million				
Type of benefit				
Short-term employee benefits	5.9	5.2	76.9	77.8
Post-employment benefits – defined contribution plans	–	–	–	–
Post-employment benefits – defined benefit plans	–	2.2	815.6	533.3
Other long-term employee benefits	–	–	27.7	23.8
Termination benefits	–	–	5.8	5.2
Total	**5.9**	**7.4**	**926.1**	**640.0**

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	2021	2022
Balance as at 1 January	**2,764.2**	**2,899.1**
Interest rate effect	7.0	10.9
Return on plan assets	145.5	–120.8
Employees' savings and purchases	42.1	39.5
Exchange differences	–2.4	–2.5
Employer contribution	64.5	64.1
Employee contribution	42.0	43.2
Benefits paid	–163.7	–153.2
Cash flow between Baloise Group and plan assets (excl. benefits paid to employees and employer contribution)	–	–
Additions/disposals arising from change in scope of consolidation	–	–
Reclassification to non-current assets classified as held for sale	–	–
Gains and losses on plan settlements	–	–
Balance as at 31 December	**2,899.1**	**2,780.3**

17.2.2 Partially funded liabilities under defined benefit plans

CHF million	2021	2022
Balance as at 1 January	**–3,080.4**	**–2,931.1**
Current service cost	–56.8	–52.8
Interest rate effect	–7.4	–10.2
Employee contribution	–42.0	–43.2
Employees' savings and purchases	–40.4	–39.5
Actuarial gains/losses on defined benefit obligations arising from		
changes in financial assumptions	40.0	678.9
changes in demographic assumptions	110.8	–6.2
experience adjustments	–21.2	–33.1
Exchange differences	2.8	3.0
Unrecognised past service cost	–	–5.6
Benefits paid	163.7	153.2
Additions/disposals arising from change in scope of consolidation	–	–
Reclassification to non-current assets classified as held for sale	–	–
Gains and losses on plan settlements	–	–
Balance as at 31 December	**–2,931.1**	**–2,286.7**

17.2.3 Unfunded liabilities under defined benefit plans

	2021	2022
CHF million		
Balance as at 1 January	**–905.5**	**–783.6**
Current service cost	–16.7	–14.0
Interest rate effect	–3.0	–6.6
Employee contribution	–0.9	–0.9
Employees' savings and purchases	–0.4	–
Actuarial gains/losses on defined benefit obligations arising from		
changes in financial assumptions	72.2	227.1
changes in demographic assumptions	0.9	–0.5
experience adjustments	2.8	–25.7
Exchange differences	32.2	32.5
Unrecognised past service cost	–0.6	–
Benefits paid	35.3	45.7
Additions/disposals arising from change in scope of consolidation	–	–
Reclassification to non-current assets classified as held for sale	–	–
Gains and losses on plan settlements	–	–
Balance as at 31 December	**–783.6**	**–526.2**

17.2.4 Asset ceiling

	2021	2022
CHF million		
Balance as at 1 January	**–**	**–**
Interest rate effect	–	–0.9
Effect of the asset ceiling (excluding interest rate effect)	–	–497.7
Exchange differences	–	–
Balance as at 31 December	**–**	**–498.6**

17.2.5 Net actuarial liabilities under defined benefit plans

	31.12.2021	31.12.2022
CHF million		
Fair value of plan assets	2,899.1	2,780.3
Present value of (partially) funded liabilities	–2,931.1	–2,286.7
Present value of unfunded liabilities	–783.6	–526.2
Effect of the asset ceiling	–	–498.6
Net actuarial liabilities under defined benefit plans	**–815.6**	**–531.2**

17.2.6 Asset allocation

CHF million	31.12.2021	31.12.2022
Cash and cash equivalents	41.4	52.7
Real estate	626.5	645.4
Equities and investment funds		
publicly listed	1,562.3	1,562.2
not publicly listed	103.5	33.1
Fixed-interest assets		
publicly listed	122.2	76.9
not publicly listed	4.6	–
Mortgages and loans	389.5	376.1
Derivatives		
publicly listed	–	–
not publicly listed	– 0.2	4.5
Other	49.4	29.6
Fair value of plan assets	**2,899.1**	**2,780.3**
Of which: Bâloise Holding Ltd shares (fair value)	29.8	28.5
Of which: real estate leased to the Baloise Group	–	–

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

17.2.7 Expenses for defined benefit plans recognised in the income statement

CHF million	2021	2022
Current service cost	– 73.5	– 66.8
Net interest cost	– 3.5	– 6.8
Unrecognised past service cost	– 0.6	– 5.6
Gains and losses on plan settlements	–	–
Expected return on reimbursement rights	–	–
Total expenses for defined benefit plans recognised in the income statement	**– 77.6**	**– 79.3**

17.2.8 Actuarial assumptions

	2021	2022
Per cent		
Discount rate	0.5	2.7
Expected wage and salary increases	1.3	1.4
Expected increase in pension benefits	0.3	0.3
Weighted annuity option take-up rate	70.3	61.5
Years		
Average life expectancy of a 65-year-old woman	24.3	24.4
Average life expectancy of a 65-year-old man	22.1	22.3

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.

17.2.9 Sensitivity analysis for liabilities under defined benefit plans

	31.12.2021	31.12.2022
CHF million		
Total defined benefit obligation	3,714.7	2,812.9
Discount rate plus 0.5 % age points	– 254.8	– 154.4
Discount rate minus 0.5 % age points	289.2	170.4
Expected wage and salary increases plus 0.5 % age points	24.7	15.6
Expected wage and salary increases minus 0.5 % age points	– 25.4	– 15.0
Expected pension benefits increases plus 0.5 % age points	198.0	113.4
Expected pension benefits increases minus 0.5 % age points	– 42.7	– 23.5
Mortality probabilities for 65-year-olds plus 10.0 % age points	– 79.8	– 45.2
Mortality probabilities for 65-year-olds minus 10.0 % age points	90.3	50.5
Weighted share of annuity option plus 10.0 % age points	18.2	– 3.5

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.

17.2.10 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.

17.2.11 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 75.0 million for the 2023 financial year.

17.2.12 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 9.5 years; the average present value factor for current benefit entitlements under pension commitments is 12.4 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 2022 totalled CHF 23.8 million (2021: CHF 27.7 million). There were no disposals of plan assets for long-term employee benefits. Benefits paid out amounted to CHF 2.7 million (2021: CHF 3.2 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.

In 2022, a sum of CHF 27.4 million (2021: CHF 25.7 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

	2021	2022
Number of shares subscribed	214,804	223,477
Restricted until	31.08.2024	31.08.2025
Subscription price per share (CHF)	73.00	74.40
Value of shares subscribed (CHF million)	15.7	16.6
Fair value of subscribed shares on subscription date (CHF million)	31.4	31.6
Employees entitled to participate	3,373	3,419
Participating employees	2,427	2,506
Subscribed shares per participant (average)	88.5	89.2

17.4.2 Share Subscription Plan

Share subscription plan for senior managers (SSP) [1]

	2021	2022
Number of shares subscribed	18,363	23,229
Restricted until	29.02.2024	28.02.2025
Subscription price per share (CHF)	143.46	142.92
Value of shares subscribed (CHF million)	2.6	3.3
Fair value of subscribed shares on subscription date (CHF million)	2.9	3.6
Employees entitled to participate	1,048	1,073
Participating employees	114	125
SSP portion of variable remuneration	12%	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

	2021	2022
Number of shares subscribed	6,134	6,282
Restricted until	31.05.2024	31.05.2025
Subscription price per share (CHF)	133.47	146.70
Value of shares subscribed (CHF million)	0.8	0.9
Fair value of subscribed shares on subscription date (CHF million)	0.9	1.0
Participating members of the Board of Directors	11	12

17.4.3 Share participation plan

Share Participation Plan (SPP)

	2021	2022
Number of shares subscribed [1]	75,022	102,281
Restricted until	29.02.2024	28.02.2025
Subscription price per share [2] (CHF)	139.73	137.34
Value of shares subscribed [2] (CHF million)	10.5	14.0
Fair value of subscribed shares on subscription date (CHF million)	11.9	15.8
Employees entitled to participate	1,026	1,051
Participating employees	136	173
SPP portion of variable remuneration	7 %	8 %

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

17.4.4 Performance share units

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

PERFORMANCE SHARE UNIT (PSU) PLAN

	PSUs granted		PSUs converted				Change in value
	Date	Price (CHF) [1]	Date	Multiplier	Price (CHF) [1]	Value (CHF) [2]	[3]
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	0.67	154.10	103.25	–37 %
2020	1 Mar 2020	154.90	1 Mar 2023	0.56 [4]	142.70 [4]	79.28 [4]	–49 % [4]
2021	1 Mar 2021	158.90	1 Mar 2024	0.00 [4]	142.70 [4]	0.00 [4]	–100 % [4]
2022	1 Mar 2022	154.10	1 Mar 2025	0.70 [4]	142.70 [4]	99.27 [4]	–36 % [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 2019: ([{0.67*154.10} – 163.00] / 163.00) * 100 = –37 %.
4 Interim measurement as at 31 December 2022.

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 2020	Plan 2021	Plan 2022
Employees entitled to participate at launch of programme	71	68	78
Number of allocated PSU	32,321	28,045	33,914
Of which: expired (departures in 2020)	– 407	–	–
Number of active PSUs as at 31 December 2020	31,914	–	–
Of which: expired (departures in 2021)	– 898	– 504	–
Number of active PSUs as at 31 December 2021	31,016	27,541	–
Of which: expired (departures in 2022)	– 319	– 315	–
Number of active PSUs as at 31 December 2022	30,697	27,226	33,914
Value of allocated PSUs on issue date (CHF million)	5.1	4.9	5.4
PSU expense incurred by the Baloise Group for 2020 (CHF million)	1.3	–	–
PSU expense incurred by the Baloise Group for 2021 (CHF million)	1.5	1.1	–
PSU expense incurred by the Baloise Group for 2022 (CHF million)	1.6	1.5	1.4

17.4.5 Employee stock option programm

FRIDAY Insurance S.A., a subsidiary of Baloise 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 2.1 million was paid in 2022 (2021: CHF 0.5 million).

Phantom Stock Option Program

	2021	2022
Participating employees	18	8
Total liabilities arising from the allocated PSOPs (CHF million)	2.6	0.3
Total liabilities arising from the vested PSOPs (CHF million)	2.6	0.3
PSOP expense / income (CHF million)	–0.3	–0.1

Employee Stock Option Program

	2021	2022
Participating employees	61	65
Number of allocated options	2,715,434	3,571,653
Of which: expired (departures in 2021)	416,260	416,260
Of which: expired (departures in 2022)	–	518,213
Number of active options as at 31 December 2022	2,299,174	2,637,180
ESOP expense (CHF million)	0.5	1.1

18. Deferred taxes

18.1 Deferred tax assets and liabilities

Deferred tax assets

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**

2022	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	51.8	5.0	–	–	–	–2.6	54.2
Other investments	39.4	13.7	–	–	–	0.0	53.1
Other comprehensive income	50.5	–	483.4	–	–	–8.1	525.7
Tax credits and losses carried forward	83.2	–3.7	–	–	–	–2.6	76.9
Insurance receivables	9.4	–0.5	–	–	–	0.0	8.9
Technical reserves	493.9	30.0	–	–	–	–16.5	507.4
Insurance liabilities	988.4	21.3	–	–	–	–48.1	961.6
Liabilities arising from banking business and financial contracts	289.3	–38.8	–	–	–	–8.8	241.7
Liabilities arising from employee benefits	44.4	–1.0	–	–	–	–1.9	41.5
Other	50.9	1.3	–	0.1	–0.4	–1.2	50.6
Total	**2,101.1**	**27.2**	**483.4**	**0.1**	**–0.4**	**–89.9**	**2,521.6**

Deferred tax liabilities

2021	Balance as at 1 January	Change recognised in profit or loss	Change recognised directly in equity	Change in the scope of consoli-dation	Reclassifi-cation in accordance with 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**

2022	Balance as at 1 January	Change recognised in profit or loss	Change recognised directly in equity	Change in the scope of consoli-dation	Reclassifi-cation in accordance with IFRS 5	Exchange differences	Balance as at 31 December
CHF million							
Depreciable assets	8.0	0.7	–	–	–	– 0.2	8.5
Other intangible assets	4.7	6.2	–	–	–	– 0.3	10.6
Deferred acquisition costs	278.1	23.1	–	–	–	– 12.3	288.9
Long-term equity investments	64.9	20.1	–	–	–	– 1.0	84.0
Investment property	460.4	30.1	–	–	– 2.5	– 8.3	479.6
Financial assets	30.2	– 2.4	–	–	–	– 0.7	27.1
Other investments	34.3	0.0	–	–	–	– 0.6	33.6
Other comprehensive income	301.5	–	– 136.2	–	–	– 5.9	159.4
Insurance receivables	1.1	0.7	–	–	–	0.0	1.8
Technical reserves	1,784.6	10.0	–	–	–	– 65.2	1,729.4
Other	61.6	10.0	–	–	–	– 0.3	71.3
Total	**3,029.5**	**98.5**	**– 136.2**	**–**	**– 2.5**	**– 94.9**	**2,894.3**

The Baloise Group reports its deferred taxes on a net basis. Deferred tax assets and liabilities are offset against each other in cases where the criteria for such offsetting have been met. This is usually the case if the tax jurisdiction, the taxable entity and the type of taxation are identical.

The Baloise Group had recognised deferred tax assets on tax loss carryforwards totalling CHF 283.3 million as at 31 December 2022 (2021: CHF 287.8 million) that will expire after five years or more.

The Baloise Group had a tax credit of CHF 110.4 million as at 31 December 2022 (2021: CHF 112.3 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 396.0 million as at 31 December 2022 (2021: CHF 355.2 million) because the relevant offsetting criteria had not been met. Of this total, CHF 1.4 million will expire after one year (2021: CHF 1.1 million), CHF 20.1 million after two to four years (2021: CHF 26.2 million) and CHF 374.5 million will expire after five years or more (2021: CHF 327.9 million).

18.2 Deferred taxes

	31.12.2021	31.12.2022
CHF million		
Deferred tax assets	2,101.1	2,521.6
Deferred tax liabilities	–3,029.5	–2,894.3
Total (net)	**–928.3**	**–372.7**
Of which: recognised as deferred tax assets	73.7	217.9
Of which: recognised as deferred tax liabilities	–1,002.0	–590.6

19. Other assets

	31.12.2021	31.12.2022
CHF million		
Accrued income	45.7	39.2
Tax credits indirect taxes (withholding tax etc.)	39.4	50.7
Prepaid insurance benefits	55.3	56.1
Development properties	19.3	3.0
Other assets	36.1	31.3
Impairments	–2.2	–2.5
Other assets	**193.5**	**177.8**

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

	Disposal groups	Non-current assets	Total	Disposal groups	Non-current assets	Total
			31.12.2021			31.12.2022
CHF million						
Property, plant and equipment	–	–	–	–	–	–
Intangible assets	–	–	–	–	–	–
Investment property	–	–	–	–	136.8	136.8
Financial assets	–	–	–	–	–	–
Other investments	–	–	–	–	–	–
Receivables	–	–	–	107.0	–	107.0
Other assets	–	–	–	–	–	–
Total assets	**–**	**–**	**–**	**107.0**	**136.8**	**243.8**
Technical reserves	–	–	–	175.3	–	175.3
Liabilities arising from banking business and financial contracts	–	–	–	–	–	–
Other financial obligations	–	–	–	–	–	–
Other liabilities	–	–	–	–	2.2	2.2
Total equity and liabilities	**–**	**–**	**–**	**175.3**	**2.2**	**177.4**
Unrealised gains directly associated with non-current assets and disposal groups classified as held for sale	**–**	**–**	**–**	**5.3**	**–**	**5.3**

Baloise intends to dispose of the German run-off portfolio for hospital liability insurance and regards the IFRS 5 criteria as having been met at the end of the first half of 2022. In accordance with IFRS 5, the reclassification of the updated assets and technical reserves was retained as at 31 December 2022. The reclassification relates to the Group business segment.

Four of the properties that were classified as held for sale in the first half of 2022 were sold in the second half of 2022. The remaining 13 properties of Baloise Insurance Ltd and Baloise Life Ltd have a total fair value of CHF 136.8 million. Baloise intends to sell them in the first half of 2023.

21. Share capital

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**

2022	Number of treasury shares	Number of shares in circulation	Number of shares issued	Share capital (CHF million)
Balance as at 1 January	**648,730**	**45,151,270**	**45,800,000**	**4.6**
Purchase/sale of treasury shares	– 103,094	103,094	–	–
Capital increases	–	–	–	–
Share buy-back and cancellation	–	–	–	–
Balance as at 31 December	**545,636**	**45,254,364**	**45,800,000**	**4.6**

The 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 (2021: 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 29 April 2022 voted in favour of a total dividend distribution of CHF 320.6 million for the 2021 financial year. This amounts to a gross dividend of CHF 7.00 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 316.5 million.

The reduction of share capital by cancelling 3,000,000 registered treasury shares, each with a nominal value of CHF 0.10, which was approved by the shareholders of Bâloise Holding Ltd at the Annual General Meeting on 30 April 2021, was completed in July 2021.

For the 2022 financial year, a total dividend distribution of CHF 338.9 million will be proposed for approval at the Annual General Meeting on 28 April 2023. This amounts to a gross dividend of CHF 7.40 per share. The dividend distribution will be recognised upon approval at the Annual General Meeting.

22. Technical reserves (gross)

	31.12.2021	31.12.2022
CHF million		
Unearned premium reserves (gross)	854.1	841.8
Claims reserve including claims handling costs (gross)	5,942.0	5,474.0
Other technical reserves	78.0	77.1
Technical reserves (non-life)	**6,874.0**	**6,392.8**
Actuarial reserves (gross)	38,153.3	36,291.8
Policyholders' dividends credited and provisions for future policyholders' dividends (gross)	3,634.1	1,920.5
Technical reserves (life)	**41,787.4**	**38,212.3**
Technical reserves (gross)	**48,661.4**	**44,605.2**

22.1 Technical reserves (non-life)

	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
			31.12.2021			31.12.2022
CHF million						
Unearned premium reserves	**854.1**	**9.3**	**863.4**	**841.8**	**5.7**	**847.5**
Claims reserve	5,444.7	–	–	5,023.7	–	–
Provision for claims handling costs	497.3	–	–	450.3	–	–
Claims reserve including claims handling costs	**5,942.0**	**-787.5**	**5,154.5**	**5,474.0**	**-604.7**	**4,869.2**
Other technical reserves	**78.0**	**–**	**78.0**	**77.1**	**–**	**77.1**
Total technical reserves (non-life)	**6,874.0**	**-778.2**	**6,095.9**	**6,392.8**	**-599.1**	**5,793.8**

22.1.1 Maturity structure of technical reserves

	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
			31.12.2021			31.12.2022
CHF million						
Unearned premium reserves						
Up to 1 year	799.8	8.7	808.4	797.8	5.2	803.0
More than 1 year	8.8	0.6	9.5	8.4	0.5	8.9
No determinable residual term	45.5	–	45.5	35.6	–	35.6
Total unearned premium reserves	**854.1**	**9.3**	**863.4**	**841.8**	**5.7**	**847.5**
Claims reserve including claims handling costs						
Up to 1 year	1,167.6	–163.2	1,004.4	1,129.7	–87.7	1,041.9
More than 1 year	3,804.8	–164.6	3,640.2	3,584.2	–115.0	3,469.2
No determinable residual term	969.6	–459.7	509.9	760.1	–402.0	358.1
Total claims reserve including claims handling costs	**5,942.0**	**–787.5**	**5,154.5**	**5,474.0**	**–604.7**	**4,869.2**

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
			2021			2022
CHF million						
Balance as at 1 January	**845.5**	**2.2**	**847.7**	**854.1**	**9.3**	**863.4**
Netted premiums	4,063.4	–271.8	3,791.6	3,969.1	–284.3	3,684.8
Less: premiums earned during the reporting period	–4,026.5	279.1	–3,747.4	–3,948.7	280.9	–3,667.8
Additions arising from acquisition of policy portfolios and insurance companies	–	–	–	–	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–	–	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–
Exchange differences	–28.3	–0.2	–28.5	–32.7	–0.2	–33.0
Balance as at 31 December	**854.1**	**9.3**	**863.4**	**841.8**	**5.7**	**847.5**

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

	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
			2021			2022
CHF million						
Balance as at 1 January	**93.2**	**–**	**93.2**	**78.0**	**–**	**78.0**
Less: expenditures during the reporting period	–33.0	0.0	–32.9	–34.7	0.0	–34.7
Additional provisions recognised and unused provisions reversed through profit or loss	19.1	0.0	19.1	35.4	0.0	35.4
Additions arising from acquisition of policy portfolios and insurance companies	–	–	–	–	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–	–	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–
Exchange differences	–1.4	–	–1.4	–1.6	–	–1.6
Balance as at 31 December	**78.0**	**–**	**78.0**	**77.1**	**–**	**77.1**

22.1.4 Claims reserve (including claims handling costs)

CHF million	2021	2022
Balance as at 1 January (gross)	**5,895.6**	**5,942.0**
Reinsurers' share	– 636.7	– 787.5
Balance as at 1 January (net)	**5,258.9**	**5,154.5**
Claims incurred (including claims handling costs)		
For the reporting period	2,364.8	2,291.8
For previous years	– 112.2	– 104.5
Total	**2,252.5**	**2,187.3**
Payments for claims and claims handling costs		
For the reporting period	– 1,124.7	– 890.3
For previous years	– 1,098.3	– 1,265.9
Total	**– 2,223.0**	**– 2,156.2**
Other changes		
Additions / disposals arising from changes in scope of consolidation	–	–
Reclassification to non-current assets classified as held for sale	–	– 167.0
Exchange differences	– 133.9	– 149.4
Total	**– 133.9**	**– 316.4**
Balance as at 31 December (net)	**5,154.5**	**4,869.2**
Reinsurers' share	787.5	604.7
Balance as at 31 December (gross)	**5,942.0**	**5,474.0**

In accordance with IFRS 5, the obligation arising from the hospital liability business was reclassified to non-current assets and disposal groups classified as held for sale.

22.2 Technical reserves (life)

	31.12.2021	31.12.2022
CHF million		
Actuarial reserves from traditional life insurance contracts [1]	33,809.0	32,577.6
Actuarial reserves from unit-linked life insurance contracts	3,851.5	3,292.5
Reserves for final policyholders' dividends	135.4	102.2
Unearned revenue reserve	357.4	319.5
Structure of actuarial reserves (life)	**38,153.3**	**36,291.8**
Policyholders' dividends credited and provisions for future policyholders' dividends	3,634.1	1,920.5
Total technical reserves (life)	**41,787.4**	**38,212.3**

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

22.2.1 Maturity structure of technical reserves

CHF million	31.12.2021	31.12.2022
Actuarial reserves from non-unit-linked life insurance contracts		
Up to 1 year	1,012.0	1,038.5
1 to 5 years	3,047.3	2,924.7
5 to 10 years	3,258.2	3,042.3
More than 10 years	5,244.5	5,016.5
No determinable residual term	9,938.0	9,880.7
Business from Swiss occupational pension plans [1]	11,309.1	10,674.9
Total actuarial reserves from non-unit-linked life insurance contracts	**33,809.0**	**32,577.6**
Actuarial reserves from unit-linked life insurance contracts		
Up to 1 year	242.7	64.3
1 to 5 years	347.3	311.3
5 to 10 years	362.7	339.3
More than 10 years	465.1	659.0
No determinable residual term	2,433.7	1,918.7
Total actuarial reserves from unit-linked life insurance contracts	**3,851.5**	**3,292.5**
Policyholders' dividends credited		
Up to 1 year	49.1	45.8
1 to 5 years	169.2	153.1
5 to 10 years	169.3	156.1
More than 10 years	157.0	133.3
No determinable residual term	116.8	99.3
Total policyholders' dividends credited	**661.4**	**587.7**
Provisions for future policyholders' dividends		
Up to 1 year	102.7	114.7
No determinable residual term	2,870.1	1,218.2
Total provisions for future policyholders' dividends	**2,972.7**	**1,332.9**

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 millionCHF million	2021	2022
Balance as at 1 January	**34,092.8**	**33,809.0**
Change in actuarial reserves	122.0	–773.9
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	–405.8	–457.5
Balance as at 31 December	**33,809.0**	**32,577.6**
Of which: for DPF business	33,493.1	32,264.9
Of which: for non-DPF business	316.0	312.7

The actuarial reserves include unearned premium reserves and claims reserves.
The actuarial reserves for assumed business (inward reinsurance) as at 31 December 2022 came to CHF 13.4 million (31 December 2021: CHF 13.5 million).

22.2.3 Actuarial reserves from unit-linked life insurance contracts

CHF millionCHF million	2021	2022
Balance as at 1 January	**3,421.0**	**3,851.5**
Additions	260.6	252.6
Disposals	–238.6	–200.9
Fees	–6.2	–5.8
Interest on and change in liabilities	540.5	–467.1
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	–126.0	–137.7
Balance as at 31 December	**3,851.5**	**3,292.5**

22.2.4 Reserve for final policyholders' dividends

CHF million	2021	2022
Balance as at 1 January	**144.2**	**135.4**
Adjustment arising from unrealised gains and losses as at 1 January (shadow accounting)	– 4.4	– 3.6
Interest on and change in liability	8.1	– 1.5
Final policyholders' dividends paid	– 12.7	– 10.3
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–
Reclassification to non-current assets classified as held for sale	–	–
Adjustment arising from unrealised gains and losses as at 31 December (shadow accounting)	3.6	– 14.0
Exchange differences	– 3.5	– 3.8
Balance as at 31 December	**135.4**	**102.2**

22.2.5 Unearned revenue reserve

CHF million	2021	2022
Balance as at 1 January	**368.8**	**357.4**
Reserved during the reporting period	14.1	14.5
Change in balance	– 10.7	– 40.4
Change due to unrealised gains and losses on investments (shadow accounting)	0.1	4.5
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	– 14.9	– 16.4
Balance as at 31 December	**357.4**	**319.5**

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

CHF million	2021	2022
Policyholders' dividends credited as at 1 January	**739.8**	**661.4**
Dividends credited to policyholders during the reporting period	33.0	29.8
Policyholders' dividends paid	–92.1	–82.4
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	–	–
Exchange differences	–19.3	–21.1
Balance as at 31 December	**661.4**	**587.7**
Provisions for future policyholders' dividends as at 1 January	**2,984.0**	**2,972.7**
Adjustment arising from unrealised gains and losses as at 1 January	–875.7	–674.7
Additions	138.0	115.7
Withdrawals	–122.0	–114.5
Change in measurement differences between IFRS and national accounting standards recognised in profit or loss	223.8	251.7
Adjustment arising from unrealised gains and losses as at 31 December (shadow accounting)	674.7	–1,160.3
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	–50.1	–57.8
Balance as at 31 December	**2,972.7**	**1,332.9**
Policyholders' dividends credited and provisions for future policyholders' dividends as at 31 December	**3,634.1**	**1,920.5**

23. Liabilities arising from banking business and financial contracts

	Carrying amount		Fair value	
as at 31.12.	2021	2022	2021	2022
CHF million				
With discretionary participation features (DPFs)				
Financial contracts with discretionary participation features (DPFs)[1]	4,038.5	3,935.3	–	–
Sub-total	**4,038.5**	**3,935.3**	**–**	**–**
Measured at amortised cost				
Liabilities to banks	575.1	41.2	578.6	42.8
Repurchase agreements	250.0	250.0	250.0	250.0
Liabilities arising from time deposits	–	–	–	–
Loans	7.3	6.6	7.3	6.6
Mortgages	26.1	18.9	26.1	18.9
Savings and customer deposits	5,367.6	5,443.0	5,387.4	5,251.9
Medium-term bonds	64.9	95.6	66.1	92.9
Mortgage-backed bonds	1,898.7	2,112.5	1,944.7	1,922.5
Other financial contracts	0.0	8.9	0.0	6.8
Sub-total	**8,189.7**	**7,976.6**	**8,260.2**	**7,592.5**
Recognised at fair value through profit or loss (designated)				
Other financial contracts	14,654.2	12,664.4	14,654.2	12,664.4
Sub-total	**14,654.2**	**12,664.4**	**14,654.2**	**12,664.4**
Total liabilities arising from banking business and financial contracts	**26,882.4**	**24,576.3**	**–**	**–**

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	31.12.2021	31.12.2022
Senior and hybrid debt	2,399.1	2,583.8
Leasing liabilities	26.5	25.9
Total	**2,425.7**	**2,609.6**

24.1 Senior debt

	Senior debt	Hybrid debt	Total	Senior debt	Hybrid debt	Total
			2021			2022
CHF million						
Balance as at 1 January	**1,826.4**	**498.0**	**2,324.4**	**1,900.6**	**498.5**	**2,399.1**
Issue price of newly issued bonds	450.0	–	450.0	534.7	–	534.7
Disposals and repayments	–375.0	–	–375.0	–350.0	–	–350.0
Interest expenses	14.1	10.2	24.2	12.0	10.2	22.1
Borrowing costs paid	–15.8	–9.7	–25.5	–11.1	–9.7	–20.7
Accrued borrowing costs	0.9	–	0.9	–1.5	–	–1.5
Interest costs (sub-total)	**–0.8**	**0.5**	**–0.3**	**–0.6**	**0.5**	**–0.1**
Balance as at 31 December	**1,900.6**	**498.5**	**2,399.1**	**2,084.7**	**499.0**	**2,583.8**

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.

Furthermore, a green bond with a volume of CHF 110 million was issued on 19 July 2022. The green bond was issued with a maturity date of July 2028 and a coupon of 1.9 per cent (ISIN: CH1199322350). The capital raised with the issuance of the green bond will be used to finance green properties under Baloise's existing green bond framework.

Also in the second half of the year, a further bond of CHF 225 million with a coupon of 2.2 per cent (maturity period: 2022–2029, ISIN CH1206367661) was issued on 30 November 2022.

After the balance sheet date, on 30 January 2023, Bâloise Holding Ltd issued a further senior green bond on behalf of the Baloise Group with a volume of CHF 175 million and a coupon of 2.20 per cent (maturity period: 2023–2032, ISIN CH1232107180) as part of its funding activities.

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.

Terms & conditions governing debt outstanding as at 31.12.2022 (Bonds Bâloise Holding Ltd and Baloise Life Ltd)

Issuer	Bâloise Holding Ltd	Bâloise Holding Ltd	Baloise Life Ltd	Baloise Life Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd
Face value (CHF million)	225	150	300	200	200	100	125
Interest rate	1.750 %	1.125 %	1.750 %	2.200 %	0.500 %	0.000 %	0.000 %
Redemption value	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Year of issue	2013	2014	2017	2017	2019	2019	2019
Repayment date	26.04.2023	19.12.2024	perpetual	19.06.2048	28.11.2025	25.09.2026	25.09.2029
ISIN	CH0200044821	CH0261399064	CH0379610998	CH0379611004	CH0458097976	CH0496692978	CH0496692986

Issuer	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd
Face value (CHF million)	175	125	250	200	200	110	225
Interest rate	0.250 %	0.500 %	0.150 %	0.125 %	0.300 %	1.900 %	2.200 %
Redemption value	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Year of issue	2020	2020	2021	2021	2022	2022	2022
Repayment date	16.12.2026	16.12.2030	17.02.2031	27.06.2030	16.2.2027	19.7.2028	30.5.2029
ISIN	CH0553331817	CH0553331825	CH0593641068	CH1130818839	CH1148728210	CH1199322350	CH1206367661

24.2 Leasing liabilities

	2021	2022
CHF million		
Balance as at 1 January	**38.9**	**26.5**
Additions	2.0	12.6
Additions arising from change in scope of consolidation	–	–
Disposals	– 0.9	– 0.8
Disposals arising from change in scope of consolidation	–	–
Interests expenses	0.4	0.3
Cash outflow due to redemption	– 13.3	– 12.1
Exchange differences	– 0.6	– 0.6
Balance as at 31 December	**26.5**	**25.9**

25. Non-technical provisions

	Restructuring	Other	Total	Restructuring	Other	Total
			2021			2022
CHF million						
Balance as at 1 January	**13.2**	**44.3**	**57.5**	**8.7**	**68.3**	**77.0**
Addition arising from change in scope of consolidation	–	–	–	–	–	–
Disposal arising from change in scope of consolidation	–	–	–	–	–	–
Reclassification	–	–	–	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–
Increases and additional provisions recognised in profit or loss	2.8	33.4	36.3	2.6	4.5	7.1
Unused provisions reversed through profit or loss	– 3.2	– 8.1	– 11.3	–	– 15.9	– 15.9
Usage not recognised in profit or loss	– 3.8	– 0.1	– 3.9	– 2.8	– 4.7	– 7.5
Unwinding of discount	–	–	–	–	–	–
Exchange differences	– 0.4	– 1.2	– 1.6	– 0.4	– 1.3	– 1.7
Balance as at 31 December	**8.7**	**68.3**	**77.0**	**8.1**	**50.9**	**59.0**

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.

26. Insurance liabilities

	31.12.2021	31.12.2022
CHF million		
Liabilities to policyholders	1,298.0	1,265.1
Liabilities to brokers and agents	133.1	139.7
Liabilities to insurance companies	295.9	287.1
Other insurance liabilities	43.0	48.3
Total insurance liabilities	**1,770.1**	**1,740.3**

Notes to the consolidated income statement

27. Premiums earned and policy fees

	Non-Life	Life	Total	Non-Life	Life	Total
			2021			2022
CHF million						
Gross premiums written and policy fees	4,063.4	3,389.7	7,453.1	3,969.1	3,160.8	7,130.0
Change in unearned premium reserves	–36.9	–	–36.9	–20.5	–	–20.5
Premiums earned and policy fees (gross)	**4,026.5**	**3,389.7**	**7,416.2**	**3,948.7**	**3,160.8**	**7,109.5**
Reinsurance premiums ceded	–271.8	–47.4	–319.2	–284.3	–36.9	–321.2
Reinsurers' share of change in unearned premium reserves	–7.3	–	–7.3	3.4	–	3.4
Total premiums earned and policy fees (net)	**3,747.4**	**3,342.3**	**7,089.7**	**3,667.8**	**3,123.9**	**6,791.7**

28. Income from investments for own account and at own risk

	2021	2022
CHF million		
Investment property	286.4	279.7
Financial assets of an equity nature		
Available for sale	119.0	121.9
Recognised at fair value through profit or loss	2.1	4.9
Financial assets of a debt nature		
Held to maturity	163.7	146.0
Available for sale	387.5	416.8
Recognised at fair value through profit or loss	0.1	0.2
Mortgages and loans		
Carried at cost	190.2	176.1
Recognised at fair value through profit or loss	12.7	12.3
Cash and cash equivalents	–2.3	–0.8
Total investment income for own account and at own risk	**1,159.5**	**1,157.2**

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 1.3 million had been recognised on impaired investments at the balance sheet date (2021: CHF 1.7 million).

29. Realised gains and losses on investments

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

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.

2022	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	289.8	–	–	–	–	289.8
Held to maturity [1]	–	–	0.0	–	–	0.0
Available for sale	–	402.3	137.8	–	–	540.1
Recognised at fair value through profit or loss	–	2.4	–	–	590.9	593.3
Carried at cost	–	–	–	10.7	–	10.7
Sub-total	**289.8**	**404.7**	**137.8**	**10.7**	**590.9**	**1,434.0**
Realised losses on sales and book losses						
Investment property	-47.0	–	–	–	–	-47.0
Held to maturity [1]	–	–	-50.4	–	–	-50.4
Available for sale	–	-44.4	-373.8	–	–	-418.2
Recognised at fair value through profit or loss	–	-52.8	-1.3	-73.9	-549.6	-677.5
Carried at cost	–	–	–	-14.5	–	-14.5
Sub-total	**-47.0**	**-97.1**	**-425.5**	**-88.3**	**-549.6**	**-1,207.6**
Impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	-71.8	-31.6	–	–	-103.4
Carried at cost	–	–	–	-5.6	–	-5.6
Reversal of impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–	1.4	–	–	1.4
Carried at cost	–	–	–	5.2	–	5.2
Sub-total	**–**	**-71.8**	**-30.2**	**-0.4**	**–**	**-102.3**
Total realised gains and losses on investments	**242.7**	**235.8**	**-317.8**	**-78.0**	**41.3**	**124.0**

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	2021	2022
Impairment losses on financial assets of an equity nature recognised in profit or loss		
Equities	–15.9	–43.0
Equity funds	–	–0.3
Mixed funds	–2.2	–2.5
Bond funds	–	0.0
Real estate funds	0.0	0.0
Private equity	–7.5	–25.9
Hedge funds	0.0	0.0
Sub-total	**–25.7**	**–71.8**
Impairment losses on financial assets of a debt nature recognised in profit or loss		
Public corporations	–	–23.2
Industrial enterprises	–0.4	–8.3
Financial institutions	–	–
Private debt	–	–
Other	–	–
Sub-total	**–0.4**	**–31.6**
Impairment losses on mortgages and loans recognised in profit or loss		
Mortgages	–6.0	–5.2
Policy loans	–	–
Promissory notes and registered bonds	–	–
Time deposits	–	–
Employee loans	–	–
Reverse repurchase agreements	–	–
Other loans	–0.1	–0.4
Sub-total	**–6.1**	**–5.6**
Total impairment losses on financial assets recognised in profit or loss	**–32.1**	**–108.9**

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 277.2 million was reported for 2022 (2021: loss of CHF 197.2 million).

A gross currency loss of CHF 134.3 million was recognised directly in equity for the reporting year (2021: loss of CHF 80.7 million). Allowing for hedges of a net investment in a foreign operation (hedge accounting), a net loss of CHF 146.7 million was recognised for 2022 (2021: net loss of CHF 116.1 million).

30. Income from services rendered

	2021	2022
CHF million		
Asset management	46.7	45.7
Services	24.3	24.0
Banking services	41.3	39.8
Investment management	18.3	20.4
Income from services rendered	**130.6**	**130.0**

31. Other operating income

	2021	2022
CHF million		
Interest income from insurance and reinsurance receivables	7.2	6.8
Other interest income	0.8	2.5
Gains on the sale of property, plant and equipment	0.5	0.3
Currency gains on assets and liabilities	22.0	20.0
Reversal of impairment losses recognised on receivables	8.5	7.4
External income from owner-occupied property	3.1	1.8
Income from development properties	46.4	28.3
Other income	124.6	111.1
Other operating income	**213.2**	**178.2**

32. Classification of expenses

CHF million	2021	2022
Personnel expenses (excluding loss adjustment expenses)	–835.5	–850.8
Marketing and advertising	–46.2	–55.9
Depreciation and impairment of property, plant and equipment	–46.0	–47.8
Amortisation and impairment of intangible assets	–56.0	–50.4
IT and other equipment	–151.0	–149.4
Expenses for maintenance, repairs and rent for short-term and low value leases	–26.0	–24.9
Losses arising from exchange differences in respect of assets and liabilities	–3.2	–10.3
Commission and selling expenses	–754.2	–714.5
Fees and commission for financial assets and liabilities not recognised at fair value	–11.9	–10.9
Fees and commission expenses for assets managed for third parties	–5.9	–0.6
Expenses arising from non-current assets classified as held for sale	–	–
Expenses from development properties	–36.4	–20.4
Other [1]	–157.4	–115.4
Total	**–2,129.7**	**–2,051.4**

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 2022 came to CHF 968.6 million (2021: CHF 952.5 million).

34. Gains or losses on financial contracts

CHF million	2021	2022
With discretionary participation features (DPFs)		
Financial contracts with discretionary participation features (DPFs)	–54.2	–48.2
Sub-total	**–54.2**	**–48.2**
Measured at amortised cost		
Interest on loans	–0.6	–0.2
Interest due	–11.8	–7.5
Interest arising from banking business	3.4	1.8
Interest expenses on repurchase agreements	2.5	2.3
Acquisition costs in banking business	–9.5	–7.7
Expenses arising from financial contracts	–6.3	–7.1
Sub-total	**–22.3**	**–18.5**
Recognised at fair value through profit or loss (designated)		
Change in fair value of other financial contracts[1]	–1,091.8	1,676.6
Sub-total	**–1,091.8**	**1,676.6**
Total gains or losses on financial contracts	**–1,168.3**	**1,609.9**
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. Reconciliation of effective tax rate

35.1 Current income taxes and deferred taxes

	2021	2022
CHF million		
Current income taxes	–72.9	–67.1
Deferred taxes	–41.7	–71.3
Total income taxes	**–114.6**	**–138.4**

35.2 Expected and current income taxes

The expected average tax rate for the Baloise Group was 15.6 per cent in 2021 and 16.7 per cent in 2022. 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.

	2021	2022
CHF million		
Profit before taxes	697.9	682.9
Expected average tax rate (per cent)	15.63 %	16.72 %
Expected income taxes	**–109.1**	**–114.2**
Increase / reduction owing to		
tax-exempt profits and losses	19.4	21.5
non-tax-effective negative goodwill	–	–
non-deductible expenses	–17.9	–30.0
withholding taxes on dividends	–1.1	–0.6
change in tax rate on recognized deferred tax items	–0.1	–0.3
application of different tax rates	–7.4	–3.2
change in unrecognised tax losses	–12.0	–4.2
tax items related to other reporting periods	0.9	4.0
non-taxable measurement differences	1.4	–4.3
intercompany effects	1.2	–0.2
other impacts	10.2	–7.1
Current income taxes	**–114.6**	**–138.4**

36. Eearnings per share

	2021	2022
Profit for the period attributable to shareholders (CHF million)	588.4	548.0
Average number of shares outstanding	45,062,127	45,176,614
Basic earnings per share (CHF)	**13.06**	**12.13**

	2021	2022
Profit for the period attributable to shareholders (CHF million)	**588.4**	**548.0**
Average number of shares outstanding	45,062,127	45,176,614
Adjustment due to theoretical exercise of share-based payment plans	38,735	20,193
Adjusted average number of shares outstanding	**45,100,862**	**45,196,807**
Diluted earnings per share (CHF)	**13.05**	**12.12**

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

	2021	2022
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)	350.8	222.0
Change arising from shadow accounting	– 35.2	– 96.8
Exchange differences	4.6	4.0
Deferred taxes	– 57.7	– 31.8
Total items not to be reclassified to the income statement	**274.1**	**97.4**
Items to be reclassified to the income statement		
Available-for-sale financial assets:		
Gains and losses arising during the reporting period	– 173.4	– 5,463.0
Gains and losses reclassified to the income statement	– 259.4	– 225.5
Total available-for-sale financial assets	**– 432.8**	**– 5,688.4**
Investments in associates:		
Gains and losses arising during the reporting period	2.9	0.3
Gains and losses reclassified to the income statement	–	–
Total investments in associates	**2.9**	**0.3**
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	– 34.8	– 11.9
Gains and losses reclassified to the income statement	– 0.6	– 0.4
Total hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	**– 35.4**	**– 12.4**
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	221.0	2,139.5
Exchange differences	– 128.7	– 177.5
Deferred taxes	73.7	651.4
Total items to be reclassified to the income statement	**– 300.1**	**– 3,088.0**
Total other comprehensive income	**– 26.0**	**– 2,990.6**

37.2 Deferred taxes on other comprehensive income

	2021	2022
CHF million		
Other comprehensive income before deferred taxes	**– 46.1**	**– 3,608.0**
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)	– 64.6	– 62.6
Change arising from shadow accounting	11.2	30.8
Additions and disposals arising from change in the scope of consolidation	–	–
Total deferred taxes of items not to be reclassified to the income statement	**– 57.7**	**– 31.8**
Deferred taxes on items to be reclassified to the income statement		
Available-for-sale financial assets	117.2	1,076.8
Investments in associates	– 0.8	– 0.1
Hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	5.4	1.9
Reserves arising from reclassification of held-to-maturity financial assets	0.1	0.1
Change arising from shadow accounting	– 48.2	– 427.3
Additions and disposals arising from change in the scope of consolidation	–	–
Total deferred taxes of items to be reclassified to the income statement	**73.7**	**651.4**
Change arising from exchange differences	4.0	– 2.2
Other comprehensive income after deferred taxes	**– 26.0**	**– 2,990.6**

Other disclosures

38. Long-term equity investments and structure of the Baloise Group

38.1 Acquisition and disposal of companies
No companies were acquired or sold in 2022, as had also been the case in 2021.

38.2 Changes to shareholdings
In 2022, 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.

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**

2022	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	**344.7**	**4.9**	**–**	**0.3**	**5.2**

In February 2022, the Baloise Group acquired 30.2 per cent of the German company MOBIKO, thus expanding its Mobility ecosystem with the acquisition of a service provider that adds value for businesses and their employees. As a result of further shares being acquired, the long-term equity investment increased to 39.4 per cent in August 2022.

Baloise also acquired around 35.1 per cent of Luxembourg-based investment fund ECE Haid Center Linz SCSp in the first half of the year.

In November 2022, the Baloise Group increased its stake in Houzy AG, which operates a homeowner platform, from 13.9 per cent to 37.9 per cent and will now account for Houzy AG as an associate. The increased shareholding relates to the expansion of the strategic partnership with UBS in the Home ecosystem.

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.

As at 31 December 2022 or 31 December 2021, 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 2022 or 31 December 2021.

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.

31.12.2022	Primary activity	Operating segment [1]	Group's share of voting rights / capital (per cent)	Direct share of voting rights / capital (per cent)	Method of consolidation [2]	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	3,453.3	–
Baloise Insurance Ltd, Basel	Non-Life	NL	100.00	100.00	F	CHF	75.0	5,108.0	1,568.6
Baloise Life Ltd, Basel	Life	L	100.00	100.00	F	CHF	50.0	30,736.6	2,512.6
Baloise Bank AG, Solothurn	Banking	B	100.00	100.00	F	CHF	50.0	8,499.4	–
Haakon AG, Basel	Other	O	74.75	74.75	F	CHF	0.2	28.3	–
Baloise Asset Management AG, Basel	Investment management	B	100.00	100.00	F	CHF	1.0	56.5	–
Baloise Asset Management International AG, Basel	Investment consulting	B	100.00	100.00	F	CHF	1.5	10.9	–
Baloise Fund Invest Advico, Bertrange (Luxembourg)	Other	B	100.00	100.00	F	EUR	0.1	10.3	–
Germany									
Baloise Lebensversicherung AG Deutschland	Life	L	100.00	100.00	F	EUR	22.0	9,657.9	383.6
Baloise Sachversicherung AG Deutschland	Non-Life	NL	100.00	100.00	F	EUR	15.1	1,908.9	799.5
Deutsche Niederlassung der FRIDAY Insurance S.A., Berlin	Non-Life	NL	88.61	100.00	F	EUR	–	52.2	50.5
Baloise Sach Holding AG, Hamburg	Holding	O	100.00	100.00	F	EUR	3.6	172.7	–

1 L: Life, NL: Non-Life, B: Banking, O: Other activities / Group business.
2 F: Full consolidation, E: Equity-accounted investment.

31.12.2022	Primary activity	Operating segment[1]	Group's share of voting rights / capital (per cent)	Direct share of voting rights / capital (per cent)	Method of consoli-dation[2]	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	12,584.6	1,641.8
Euromex NV, Antwerp	Non-Life	NL	100.00	100.00	F	EUR	2.7	250.9	90.2
Luxembourg									
Baloise Luxembourg Holding S.A., Bertrange (Luxemburg)	Holding	O	100.00	100.00	F	CHF	250.0	1,905.0	–
Baloise Assurances Luxembourg S.A., Bertrange (Luxemburg)	Non-Life	NL	100.00	100.00	F	EUR	15.8	365.1	141.1
Baloise Vie Luxembourg S.A., Bertrange (Luxemburg)	Life	L	100.00	100.00	F	EUR	32.7	10,031.8	65.8
Baloise Private Equity (Luxembourg) SCS, Luxemburg	Investment management	L/NL	100.00	100.00	F	USD	0.0	1,050.1	–
Baloise Alternative Invest S.A. SICAV-RAIF, Luxemburg	Investment management	L/NL/O	100.00	100.00	F	USD	–	1,721.4	–
Other territories									
Baloise Life (Liechtenstein) AG, Balzers	Life	L	100.00	100.00	F	CHF	7.5	2,276.6	0.8
Succursale francaise de la société FRIDAY Insurance S.A., Paris	Non-Life	NL	88.61	100.00	F	EUR	–	6.2	1.1

1 L: Life, NL: Non-Life, B: Banking, O: Other activities / Group business.
2 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 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	
	2021	2022	2021	2022	2021	2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022
CHF million										
Associates	–	–	1.9	2.7	–23.0	–18.2	–	–	–2.6	–2.5
Key management personnel	0.1	0.1	0.0	0.0	–11.1[1]	–11.1	5.5	6.0	–	–

1 From 2022 onwards, the value of shares in the Share Participation Plan is stated at market price and no longer at the reduced subscription price with a separate discount. The closing price on 1 June 2022 was used for the Board of Directors and the closing price on 1 March 2022 was used for the Corporate Executive Committee (in contrast with the 2021 remuneration report, in which the closing price on 31 May 2021 was used for the Board of Directors and the closing price on 10 January 2022 was used for the Corporate Executive Committee). The disclosure of remuneration for 2021 has been adjusted accordingly.

Executive management team remuneration

	2021	2022
CHF million		
Short-term employee benefits	–6.3	–6.4
Post-employment benefits	–1.0	–1.0
Payments under share-based payment plans[1]	–3.7	–3.6
Total	**–11.1**	**–11.1**

1 From 2022 onwards, the value of shares in the Share Participation Plan is stated at market price and no longer at the reduced subscription price with a separate discount. The closing price on 1 June 2022 was used for the Board of Directors and the closing price on 1 March 2022 was used for the Corporate Executive Committee (in contrast with the 2021 remuneration report, in which the closing price on 31 May 2021 was used for the Board of Directors and the closing price on 10 January 2022 was used for the Corporate Executive Committee). The disclosure of remuneration for 2021 has been adjusted accordingly.

17,851 shares worth CHF 2.8 million were repurchased from members of the Corporate Executive Committee in 2022 (2021: CHF 2.2 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 2022 and that could have a significant impact on the 2022 consolidated annual financial statements.

40.1.2 Guarantees and collateral for the benefit of third parties

The Baloise Group has issued guarantees and provided collateral to third parties. These include obligations – in contractually specified cases – to make capital contributions or payments to increase the amount of equity, provide funds to cover principal and interest payments when they fall due, and issue guarantees as part of its operating activities. The Baloise Group is not aware of any cases of default that could trigger such guarantee payments.

In the normal course of its insurance business, the Baloise Group provided contractually binding collateral, mainly joint collateral relating to insurance-backed construction guarantees, and professional and commercial surety bonds.

	31.12.2021	31.12.2022
CHF million		
Guarantees	58.9	45.8
Collateral	482.5	459.7
Total guarantees and collateral for the benefit of third parties	**541.3**	**505.4**

Credit ratings of guarantees and collateral

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

31.12.2022	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Guarantees	–	–	30.5	–	15.2	45.8
Collateral	–	–	–	–	459.7	459.7

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

Carrying amounts of assets pledged or ceded as collateral

	31.12.2021	31.12.2022
CHF million		
Financial assets under repurchase agreements	222.0	237.6
Financial assets in the context of securities lending	3,755.9	3,073.3
Investments	2,763.0	3,048.9
Pledged intangible assets	–	–
Pledged property, plant and equipment	–	–
Other	–	–
Total	**6,741.0**	**6,359.8**

Fair value of collateral held

	31.12.2021	31.12.2022
CHF million		
Financial assets under reverse repurchase agreements	–	464.1
Financial assets in the context of securities lending	4,827.0	3,896.8
Other	–	–
Total	**4,827.0**	**4,360.9**
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

CHF million	31.12.2021	31.12.2022
Commitments undertaken for future acquisition of		
investment property	279.2	186.7
financial assets	1,475.3	1,842.8
property, plant and equipment	–	–
intangible assets	–	–
Total commitments undertaken	**1,754.5**	**2,029.6**

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

31.12.2022	**AAA**	**AA**	**A**	**BBB**	**Lower than BBB or no rating**	**Total**
CHF million						
Capital commitments	418.4	–	14.2	–	1,596.9	2,029.6

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 Baloise 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

	2021	2022
CHF million		
Due within one year	11.0	9.5
Due after one to three years	11.2	9.6
Due after three to five years	2.4	6.8
Due after five years or more	3.7	0.6
Total contractual cash flows	**28.2**	**26.5**
Book value lease liabilities	**26.5**	**25.9**

Leasing in the income Statement

	2021	2022
CHF million		
Income relating to sublease contracts	0.8	0.5
Expenses relating to leases of low-value and short-term leases	–6.5	–5.0
Interests expenses on leasing liabilities	–0.4	–0.3
Depreciation and impairment of right-of-use assets	–12.8	–11.7

Leases that have not yet started

Baloise Assurances Luxembourg S.A. has signed a binding lease with a third party for the rental of an office building in Luxembourg. The office building has been occupied since January 2023 and has been made available until 2037. The right-of-use asset and lease liability for this lease each amount to CHF 43.0 million

41.2 Baloise 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

	2021	2022
CHF million		
Due within one year	349.5	353.7
Due after one to three years	668.8	673.6
Due after three to five years	725.1	769.7
Due after five years or more	177.7	141.4
Total	**1,921.1**	**1,938.4**

Leasing in the income Statement

	2021	2022
CHF million		
Fixed lease income	365.3	362.0
Variable lease income	–	2.0
Leasing income	**365.3**	**363.9**

38. Events after the balance sheet date

On 30 January 2023, Bâloise Holding Ltd issued a senior green bond on behalf of the Baloise Group with a volume of CHF 175 million and a coupon of 2.20 per cent (maturity period: 2023–2032, ISIN CH1232107180) as part of its funding activities.

By the time that these consolidated annual financial statements had been completed on 22 March 2023, we had not become aware of 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, 22 March 2023

Report of the statutory auditor

Report on the audit of the financial statements

Opinion
We have audited the consolidated financial statements (pages 81-233) of Bâloise Holding Ltd and its subsidiaries (the “Group”), which comprise the consolidated balance sheet as at 31 December 2022, 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 2022, 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 (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's responsibilities for the audit of the consolidated financial statements” section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

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

Valuation of claims reserves - non-life	
Area of focus	Claims reserves non-life include Management’s estimate of notified but not yet paid claims at the balance sheet date, reserves for incurred but not reported losses (IBNR) and the provision for claims handling costs. Inappropriate valuation of the claims reserves non-life could result in a misstatement to the financial statements of the Group and its overall financial position. The valuation of claims reserves non-life involves a significant amount of Management’s judgement. The selection of methodology, underlying assumptions and input parameters may significantly affect the annual result and the Group’s equity position. Management discloses the valuation principles used in the recognition of the claims reserves in notes 3.18 “Non-life insurance contracts” and 5.4.2 “Assumptions”. The impact of various scenarios is described in note 5.4.4 “Sensitivity analysis”, in particular what the impact of estimation errors would be on the claims reserves. We also refer to 22.1 in the notes of the Group’s financial statements.
Our audit response	As part of the audit of the significant portfolios, we involved our non-life insurance actuarial specialists to independently assess the methodology and the underlying assumptions used by Management. Our assessment of the claims reserves included an independent valuation and a comparison to the Group’s financial statements. We further assessed the operating effectiveness of selected key controls over the input parameters and the mathematical correctness of the actuarial calculations. In addition, we evaluated the required disclosures in the notes to the financial statements. Based on our audit procedures we did not identify exceptions with regard to the valuation 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.

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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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, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the 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 269 "Information on the Baloise Group" referencing the fact that only the German text of the annual report is legally binding.

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Bâloise Holding Ltd

Income statement of Bâloise Holding Ltd

	Note	2021	2022
CHF million			
Income from long-term equity investments		393.0	432.4
Income from interest and securities	2	58.1	38.5
Other income	3	8.2	11.8
Total income		**459.3**	**482.7**
Administrative expenses	4	– 39.0	– 44.5
Financial expenses		– 3.0	– 6.0
Interest expenses	5	– 22.3	– 19.8
Other expenses		– 2.6	– 3.5
Total expenses		**– 66.9**	**– 73.8**
Tax expense		**– 0.9**	**– 1.5**
Profit for the period		**391.5**	**407.3**

Balance sheet of Bâloise Holding Ltd

	Note	31.12.2021	31.12.2022
CHF million			
Assets			
Cash and cash equivalents		89.2	97.0
Receivables from group companies	6	345.5	378.2
Receivables from third parties		7.4	7.6
Other short-term receivables	7	80.0	84.0
Current assets		**522.1**	**566.8**
Financial assets			
Loans to group companies	8	1,158.8	1,219.1
Other investments	9	3.1	–
Long-term equity investments	10	1,907.9	1,953.4
Non-current assets		**3,069.8**	**3,172.5**
Total assets		**3,591.9**	**3,739.3**
Equity and liabilities			
Current liabilities			
Liabilities to group companies		4.3	7.6
Liabilities to third parties		2.3	2.3
Current interest-bearing liabilities to third parties	11	350.0	225.0
Deferred income		9.8	9.4
Non-current liabilities			
Long-term interest-bearing liabilities to group companies		765.6	637.1
Long-term interest-bearing liabilities to third parties	12	1,550.0	1,860.0
Provisions		0.7	0.9
Liabilities		**2,682.8**	**2,742.3**
Share capital		4.6	4.6
Statutory retained earnings			
General reserve		11.7	11.7
Reserve for treasury shares		7.6	7.8
Voluntary retained earnings			
Free reserves		502.8	573.6
Distributable profit:			
– Profit carried forward		0.1	0.0
– Profit for the period		391.5	407.3
Treasury shares	13	–9.3	–8.1
Equity	**14**	**909.1**	**997.0**
Total equity and liabilities		**3,591.9**	**3,739.3**

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

CHF million	2021	2022
Income from treasury shares	19.5	0.4
Interest on loans to group companies	38.4	38.1
Realized income treasury shares	0.3	0.1
Other income from interest and securities	– 0.2	– 0.1
Total income from interest and securities	**58.1**	**38.5**

3. Other income

CHF million	2021	2022
Sundry other income	8.2	11.8
Total other income	**8.2**	**11.8**

4. Administrative expenses

CHF million	2021	2022
Personnel expenses [1]	– 23.0	– 26.5
Other administrative expenses	– 16.0	– 18.1
Total administrative expenses	**– 39.0**	**– 44.5**

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

5. Interest expenses

CHF million	2021	2022
Interest on bonds	– 14.9	– 12.5
Other interest expenses	– 7.4	– 7.3
Total interest expenses	**– 22.3**	**– 19.8**

Notes to the balance sheet

6. Receivables from group companies

CHF million	31.12.2021	31.12.2022
Dividends	323.1	368.0
Other receivables	22.3	10.2
Total receivables from group companies	**345.5**	**378.2**

The annual general meeting of the following AGMs voted to recognise the dividends receivable for the 2022 financial year as accrued income:

- 16 February 2023: Haakon AG, Basel
- 27 February 2023: Baloise Bank AG, Solothurn
- 8 March 2023: Baloise Asset Management AG, Basel and Baloise Asset Management International AG, Basel
- 21 March 2023: Baloise Versicherung AG, Basel and Baloise Leben AG, Basel
- 13 April 2023: Baloise Delta Holding S.à.r.l., Bertrange (Luxemburg)

7. Other short-term receivables

CHF million	31.12.2021	31.12.2022
Short-term promissory note loans	80.0	84.0
Total other short-term receivables	**80.0**	**84.0**

8. Loans to group companies

CHF million	31.12.2021	31.12.2022
Subordinated loans to Baloise Bank AG	40.0	90.0
Subordinated loans to Baloise (Luxembourg) Holding S.A.	284.6	284.6
Subordinated loans to Baloise Belgium NV	394.3	375.3
Subordinated loans to Baloise Vie Luxembourg S.A.	72.6	69.1
Loans to Baloise (Luxembourg) Holding S.A.	283.7	318.6
Loans to Baloise Beteiligungen B.V. & Co. KG	40.5	38.6
Loans to Baloise Sach Holding AG	43.0	43.0
Total loans to group companies	**1,158.8**	**1,219.1**

9. Other investments

In 2021, the item 'Other investments' included an internal derivative hedge instrument that was measured at fair value.

10. Long-term equity investments

	Total shareholding as at 31.12.2021 (with voting rights) (per cent) [1]	Total shareholding as at 31.12.2022 (with voting rights) (per cent) [1]	Currency	Share capital as at 31.12.2022 (million)	Capital share (million)
Company					
Baloise Versicherung AG, Basel	100.00	100.00	CHF	75.0	75.0
Baloise Leben AG, Basel	100.00	100.00	CHF	50.0	50.0
Baloise Bank 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
Baloise (Luxembourg) Holding S.A., Bertrange (Luxembourg)	100.00	100.00	CHF	250.0	250.0
Baloise Delta Holding S.à.r.l., Bertrange (Luxembourg)	100.00	100.00	EUR	224.3	224.3
Baloise Fund Invest Advico, Bertrange (Luxembourg)	100.00	100.00	EUR	0.1	0.1
Baloise Alternative Investments Partner S.à r.l., Bertrange (Luxembourg)	100.00	100.00	EUR	<0.1	<0.1
Baloise Private Equity Partner S.à r.l., Bertrange (Luxembourg)	100.00	100.00	EUR	<0.1	<0.1
Baloise Finance (Jersey) Ltd, St. Helier (Jersey)	100.00	–	CHF	–	–
Baloise Participation Holding AG, Basel	100.00	100.00	CHF	0.1	0.1

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**

31.12.2022	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
Total current interest-bearing liabilities				**225.0**

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**

31.12.2022	Interest rate	Issued	Maturity date	Amount CHF million
Securities with security number				
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
Bond 114 872 821	0.300 %	16.02.2022	16.02.2027	200.0
Bond 119 932 235	1.900 %	19.07.2022	19.07.2028	110.0
Bond 120 636 766	2.200 %	30.11.2022	30.05.2029	225.0
Total long-term interest-bearing liabilities				**1,860.0**

13. Treasury shares

2021	Low in CHF	High in CHF	Average share price in 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**

2022	Low in CHF	High in CHF	Average share price in CHF	Number of registered shares
Balance as at 1 January				**75,915**
Purchases	124.20	155.90	138.51	16,800
Sales				0
Reduction of share capital				0
Disposals in connection with share participation programmes				– 23,724
Balance as at 31 December				**68,991**

14. Changes in equity

	Share capital	Statutory retained earnings		Voluntary retained earnings		Treasury shares	Total equity
2021		**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**

2022	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	**4.6**	**11.7**	**7.6**	**502.8**	**391.6**	**-9.3**	**909.1**
Allocation 2022	–	–	–	71.0	-71.0	–	–
Dividend	–	–	–	–	-320.6	–	-320.6
Additions	–	–	–	–	–	–	–
Reduction of share capital	–	–	–	–	–	–	–
Change in treasury shares	–	–	–	–	–	1.2	1.2
Recognition/reversal	–	–	0.2	-0.2	–	–	–
Profit for the period	–	–	–	–	407.3	–	407.3
Balance as at 31 December	**4.6**	**11.7**	**7.8**	**573.6**	**407.4**	**-8.1**	**997.0**

15. Significant shareholders

The information available to the Company from disclosures pursuant to Art. 120 of the Swiss Financial Market Infrastructure Act (FinMIA) (see the SIX website) and from the Company's share register reveals that the following significant shareholders and shareholder groups linked by voting rights held long-term equity investments in the Company as at 31 December 2022:

	Last disclosure date [1]	Quota according to last disclosure [1]	Shareholding according to share register as at 31.12.2021	Shareholding according to share register as at 31.12.2022	Share of voting rights as at 31.12.2021	Share of voting rights as at 31.12.2022
		(per cent)	(per cent)	(per cent)	(per cent)	(per cent)
Shareholders						
Black Rock Inc.	05.09.2017	7.17	<1.0	<1.0	<1.0	<1.0
Chase Nominees Ltd. [2]	n/a	n/a	5.8	4.3	2.0	2.0
Credit Suisse Funds AG	25.04.2020	3.00	>3.0	>3.0	2.0	2.0
LSV Asset Management	06.07.2013	3.73	0.0	0.0	0.0	0.0
Norges Bank	24.08.2022	3.09	0.0	0.0	0.0	0.0
Nortrust Nominees Ltd. [2]	n/a	n/a	2.7	3.4	0.0	0.0
The Bank of New York Mellon [2]	n/a	n/a	2.3	2.3	0.0	0.0
UBS Fund Management (Switzerland) AG	06.04.2017	3.03	>3.0	>3.0	2.0	2.0

1 According to SIX Swiss Exchange (https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html).
2 Financial intermediaries holding shares for the account of third parties (custodian nominees) are added to the free float in accordance with SIX Exchange Regulation and are considered free float. These shareholder groups are not subject to reporting requirements under stock exchange law. The exercise of voting rights by these administrators requires a nominee contract with the company and the disclosure of the beneficial owners.

16. Contingent liabilities

	31.12.2021	31.12.2022
CHF million		
Collateral, guarantee commitments	500.0	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.

Bâloise Holding Ltd is making cash and cash equivalents of EUR 58 million available to Baloise Sachversicherungs-Aktiengesellschaft until at least 23 March 2031. Baloise Insurance Ltd 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 53 to 76 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

In 2022, hidden reserves of CHF 0.7 million were reversed. No hidden reserves had been reversed in 2021.

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 30 January 2023, Bâloise Holding Ltd placed a senior green bond issue on behalf of the Baloise Group with a total volume of CHF 175 million and a coupon of 2.2 per cent (maturity period: 2023–2032, ISIN CH1232107180) as part of its funding activities.

By the time that these annual financial statements had been completed on 22 March 2023, 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 407,337,110.04.

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.

	2021	2022
CHF		
Profit for the period	391,510,151.81	407,337,110.04
Profit carried forward from the previous year	136,302.91	46,454.72
Distributable profit	**391,646,454.72**	**407,383,564.76**
Proposals by the Board of Directors:		
Dividend	– 320,600,000.00	– 338,920,000.00
Allocated to free reserves	– 71,000,000.00	– 68,400,000.00
Withdrawn from free reserves	–	–
Profit to be carried forward	**46,454.72**	**63,564.76**

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 7.40 gross or CHF 4.81 net of withholding tax.

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To the Annual General Meeting of
Bâloise Holding Ltd, Basel

Basel, 22 March 2023

Report of the statutory auditor

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Bâloise Holding Ltd (the Company), which comprise the statement of financial position as at 31 December 2022 and the statement of income for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 242-252) comply with Swiss law and the Company's articles of incorporation.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, 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.

Building a better working world

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 responsibilities for the audit of the financial statements” 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 2.0 bn as of 31 December 2022 and represent the most important balance of a total balance sheet of CHF 3.7 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 2022. Based on our audit procedures we did not identify exceptions with regard to the valuation of long-term equity investments.

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements
The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, anc for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the 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 and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

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

Furthermore, we 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 269 "Information on the Baloise Group" referencing the fact that only the German text of the annual report is legally binding.

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 www.baloise.com/en/home/investors/publications

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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Availability and ordering

The 2022 Annual Review and Annual Report and the Summary of the 2022 Annual Report will be available from 28 March 2023 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:
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Information for shareholders an 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

28 April 2023
Annual General Meeting
Bâloise Holding Ltd

20 September 2023
Half-year financial results
Publication of the 2023 half-year report
Conference call for analysts and the media

16 November 2023
Q3 interim statement

26 March 2024
Annual results
Publication of the 2023 annual report and annual review
Media conference and conference call for analysts

26 April 2024
Annual General Meeting
Bâloise Holding Ltd

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