ANNUAL REPORT 2020

Baloise Group

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Annual Report 2020

Contents

Baloise key figures

	2019	2020	Change (%)
CHF million			
Business volume			
Gross non-life premiums written	3,542.1	3,802.5	7.3
Gross life premiums written	4,060.3	3,291.3	– 18.9
Sub-total of IFRS gross premiums written [1]	7,602.4	7,093.8	– 6.7
Investment-type premiums	1,907.5	1,832.7	– 3.9
Total business volume	9,509.9	8,926.5	– 6.1
Operating profit (loss)			
Profit / loss for the period before borrowing costs and taxes			
Non-life	398.9	302.2	– 24.2
Life [2]	274.8	282.2	2.7
Asset Management & Banking	91.1	79.4	– 12.8
Other activities	– 41.0	– 61.0	48.8
Consolidated profit for the period	689.5	428.3	– 37.9
Balance sheet			
Technical provisions	48,333.3	48,585.0	0.5
Equity	6,715.6	6,985.7	4.0
Ratios (per cent)			
Return on equity (RoE)	11.1	6.4	–
Gross non-life combined ratio	88.3	91.7	–
Net non-life combined ratio	90.4	91.2	–
New business margin (life)	37.3	42.7	–
Investment performance (insurance) [3]	4.7	3.0	–
New life insurance business			
Annual premium equivalent (APE)	413.5	294.5	– 28.8
Value of new business	154.0	125.9	– 18.2
Key figures on the Company's shares			
Shares issued (units)	48,800,000	48,800,000	0.0
Basic earnings per share [4] (CHF)	15.02	9.65	– 35.8
Diluted earnings per share [4] (CHF)	14.99	9.63	– 35.8
Equity per share [4] (CHF)	145.3	155.1	6.7
Closing price (CHF)	175.00	157.50	– 10.0
Market capitalisation (CHF million)	8,540.0	7,686.0	– 10.0
Dividend per share [5] (CHF)	6.40	6.40	0.0

1 Premiums written and policy fees (gross).
2 Of which deferred gains / losses from other operating segments (31 December 2019: CHF –1.8 million; 31 December 2020: CHF –3.2 million).
3 Excluding investments for the account and at the risk of life insurance policyholders.
4 Calculation is based on the profit for the period attributable to shareholders and the equity attributable to shareholders.
5 2020 based on the proposal submitted to the Annual General Meeting.

At a glance

Profit (attributable to the shareholders) of CHF 434.3 million

Equity of CHF 6,985.7 million

Dividend of CHF 6.40 per share (to be proposed to the Annual General Meeting on 30 April 2021)

Return on equity (RoE) of 6.4 %

Net combined ratio of 91.2 %

– 3.9 % decline in volume of business with investment-type premiums

New business margin in the life business of 42.7 %

Net investment yield on insurance assets of 2.1 %

86 % of employees recommend Baloise as an employer

– 18.1 % CO_2 reduction

+225,000 additional customers

Inclusion in the FTSE4Good Index Series

Letter to shareholders

Dr Andreas Burckhardt, Chairman of the Board of Directors (right), and Gert De Winter, Group CEO (left), with a view from the 7th floor of the Group headquarters at Baloise Park.

DEAR SHAREHOLDERS,

Baloise achieved good results in 2020, reporting a profit attributable to shareholders of CHF 434.3 million. It was especially encouraging in light of the fact that the prior year's result was boosted by just under CHF 150 million due to one-off tax-related positive effects. The outbreak of the Covid-19 pandemic in the first quarter and the measures subsequently introduced throughout Europe to contain the virus were extremely challenging for us as an insurer in 2020. However, even during this period Baloise proved itself to be a strong and reliable partner, particularly for our customers, our shareholders and our employees. Despite the difficult situation, we met our obligations towards these stakeholder groups quickly and accommodatingly. We paid out around CHF 178 million to our policyholders for Covid-related costs incurred in 2020.

The majority of the expenses arose as a result of business closures ordered by the authorities, particularly in the hospitality sector. Baloise thereby played a role in supporting the economy and the affected businesses. The Covid-19 pandemic is the largest gross loss event to hit the Baloise Group since 1980. The gross combined ratio increased by 3.4 percentage points to 91.7 per cent as a result.

Despite the circumstances, Baloise is proving to be stable and resilient. We have been operating cautiously and with a focus on the long term for many years. Thanks to the hedging of our risks, the net combined ratio, i.e. the ratio after reinsurance payments received, rose only slightly from the prior year to 91.2 per cent. In total, the net cost of Covid-related claims amounted to around CHF 72 million.

The volume of life business fell slightly, but the profit contribution remained stable. The decline in business volume was expected, partly because in the prior year we had benefited from a competitor leaving the comprehensive insurance market and partly because of the continuing intentionally cautious approach to the volume of traditional life insurance business taken on. Earnings in the life business amounted to CHF 282.2 million. The massive falls in share prices in the equity markets in March were counteracted by positive effects in technical reserves. This meant that the year ended with a slight increase compared to 2019.

2021 will be the final year of our 'Simply Safe' strategic phase. Since 2017, Baloise has managed to sign up 738,000 additional customers and transfer CHF 1,744 million in cash to the holding company, and we have already achieved our target of being in the top 10 per cent of most attractive employers in the European financial sector. We are on track to achieve our goals by the end of the year, despite the difficult environment. It is still impossible to predict how quickly the European economy will recover in 2021. However, we believe that Baloise is sufficiently robust to overcome these challenges and enjoy lasting success.

NEXT STRATEGIC FOUR-YEAR PHASE TO 2025

On Investor Day last autumn, the Company outlined its plans for the next four-year phase of the strategy up to 2025, which will be called 'Simply Safe: Season 2'. The current strategic direction will continue and be pursued even more vigorously. The three strategic targets are retained, but are now even more ambitious. We want to be among the top 5 per cent of employers in Europe in 2025, to attract 1.5 million new customers in four years and to increase cash generation by 25 per cent compared to the first strategic phase.

Baloise will approach this next strategic phase under a new strategic leadership. Dr Thomas von Planta, a member of the Board of Directors since 2017, will be nominated as the new Chairman of the Board of Directors at the Annual General Meeting on 30 April, replacing Dr Andreas Burckhardt who is retiring. Together with the Board of Directors and the Corporate Executive Committee, Dr Planta will continue to lead Baloise on its current path of success and drive forward the launch of the next strategic phase.

The strategic phase starting in 2022 will also have the additional goal of expanding the Mobility and Home ecosystems. The aim in future is to generate income not only from the core insurance business, but also from insurance-related services that will be bundled into so-called ecosystems. Another important pillar alongside the core insurance business and the ecosystems is the expansion of services for third parties in the investment business. As well as strengthening its core business, Baloise expanded its ecosystems in 2020. Within the mobility ecosystem, the 'aboDeinauto' service was launched in Germany in autumn. This is the first car subscription service to focus specifically on used vehicles and enables subscribers to use their chosen car simply and flexibly for a fixed monthly fee. Baloise also invested in the Berlin start-up 'Ben Fleet Services' (Ben), an online platform for vehicle fleet management services. 'Ben' was founded last year by 'Energie Baden-Württemberg' (EnBW) and 'Bridgemaker', a service provider that specialises in business start-ups. Within the Home ecosystem, the company invested in 'Houzy', a Swiss platform that offers digital solutions for home owners. Property owners can use the platform to obtain valuations, plan and calculate the cost of renovations or optimise energy efficiency in a property. The platform opens up an additional service area within the Home ecosystem. The equity investment in 'Houzy' was the fourth alliance within the Home ecosystem last year, following on from Keypoint, Batmaid and ImmoPass. Keypoint is a digital assistant that makes the work of property management companies in Belgium easier. ImmoPass is also based in Belgium and provides services in the area of technical property inspection that can be used both by property management companies and potential buyers. Batmaid digitalises the provision of cleaning services for private individuals in Switzerland and takes the hassle out of finding domestic cleaners.

'Simply Safe: Season 2' marks the start of Baloise's new strategic phase and underlines the sustainability of its strategic ambitions. The course that it has been pursuing since 2016 will be continued in a focused way with more ambitious targets. We are confident of our long-term strategy. This also includes our sustainable dividend policy – despite the current difficult circumstances. The Board of Directors is proposing an unchanged dividend of CHF 6.40 to this year's Annual General Meeting.

Basel, March 2021

Dr Andreas Burckhardt
Chairman of the Board of Directors

Gert De Winter
Group CEO

A turbulent trading year

Trading in 2020 was dominated by the Covid-19 pandemic and the dramatic slump in global economic growth that followed. Having reached new all-time highs in January 2020, equity markets lost around 30 per cent of their value at record speed in February, due to the uncertainty surrounding the Covid-19 pandemic. They reached their lowest point at the end of March then rallied in the second quarter of 2020, thanks in no small part to the massive fiscal and monetary policy measures taken by governments and central banks. Encouraging news about vaccines gave the equity markets a further boost in November 2020. Baloise shares* did not escape the effects of the pandemic unscathed, falling to a low of CHF 107.90 on 23 March. But they too recovered and closed on 30 December 2020 at CHF 157.50. Overall, Baloise shares fell by 10 per cent in 2020. Despite the turbulent environment, Baloise's dividend payments to its shareholders remain consistent and attractive. The Board of Directors is proposing a dividend for 2020 of CHF 6.40.

Compared with 2019, which was an excellent trading year, 2020 was very turbulent. The uncertainty surrounding the Covid-19 pandemic and its impact on the global economy were the main reasons for the 30 per cent fall in the equity markets in the first quarter of 2020. The US stock market volatility index (VIX) shot up more than 80 points, hitting levels not seen since the financial crisis of 2007 / 2008. After bottoming out at the end of March 2020, many of the world's stock markets rallied from the second quarter onwards. This was primarily driven by the interventions of the central banks and governments which shored up the economy with their expansionary policies. In addition to the uncertainty surrounding the Covid-19 pandemic, the presidential election in the USA and Brexit also caused a temporary increase in volatility. The stock markets were boosted by promising news on the approval of a coronavirus vaccine from November 2020 onwards, with several indices even managing to post a positive performance for 2020 as a whole.

While the equity markets experienced extreme volatility in 2020, global macroeconomic data weakened, reflecting a sharp decline in economic growth. This was primarily due to the containment measures imposed by many governments which paralysed economic activity for a time in some areas, particularly hospitality and tourism. The first lockdown in the second quarter of 2020 caused a particularly sharp contraction in the global economy, while in summer the effects of the pent-up demand became very apparent as the lockdown restrictions were eased. Towards the end of the fourth quarter, however, further (partial) lockdowns of major economies due to rising coronavirus infection rates weakened the global economy again. Consumer and investment demand is likely to be slow in returning to normal in the coming months. It is also likely that employment figures and the number of companies going out of business will continue to rise in many places, as these indicators tend to lag behind economic activity. Despite the many growth-promoting measures put in place by central banks and governments, the severe underutilisation of global production capacity and high unemployment means inflation rates are unlikely to rise significantly in the coming months.

While prior years have also been shaped by expansionary monetary policy, in 2020 the extraordinary monetary policy measures taken to combat the Covid-19 crisis have led to expansion of the central banks' balance sheets on an unprecedented scale. In total, the four biggest central banks (US Fed, ECB, Bank of England, Bank of Japan) purchased more than USD 7 trillion worth of securities in 2020. This has, for now, prevented a health crisis from turning into a liquidity or financial crisis.

Baloise shares lost value in 2020.This was partly due to the slump in the first quarter of 2020 and partly to the fact that they failed to fully recover in the following months. As at the end of the year, Baloise shares were trading at CHF 157.50 – 10.0 per cent below the closing price of the prior year. However, Baloise shares still outperformed the European (STOXX Europe 600 Insurance Index, SXIP) and Swiss (Swiss Exchange Supersector Insurance, SMINNX) insurance industry index, which fell by 13.4 and 13.1 per cent (in Swiss franc terms) respectively, in 2020. The Swiss Performance Index (SPI) managed to recover from the effects of the Covid-19 pandemic and in fact ended the year up by 3.82 per cent.

DIVIDENDS PAID TO SHAREHOLDERS

The Board of Directors of Bâloise Holding Ltd will propose to the Annual General Meeting on 30 April 2021 that a cash dividend of CHF 6.40 per share be paid for the 2020 financial year. This is the same as the prior year and represents an attractive dividend yield of 4.1 per cent of the year-end share price.

As announced at the end of 2016, Baloise has bought back 3,000,000 treasury shares over the period from April 2017 to March 2020. The shares were bought back for the purpose of capital reduction, using a second trading line on the Swiss stock exchange, SIX Swiss Exchange AG. As a result of this programme, CHF 481.2 million was returned to shareholders. Of this volume, 565,925 shares worth CHF 92.8 million in total were bought back in 2020.

* Baloise shares = shares of Bâloise Holding Ltd.

Year (CHF million)	Cash dividends	Share buy-backs	Total
2016	260.0	54.8	314.8
2017	273.3	63.3	336.6
2018	292.8	135.1	427.9
2019	312.3	190.0	502.3
2020	312.3 [1]	92.8	405.1
Total	1,450.7	536.0	1,986.7

All figures stated as at 31 December.
1 Proposal to the Annual General Meeting on 30 April 2021.

SHAREHOLDER STRUCTURE

The shares in Bâloise Holding Ltd are widely held and their free float remains unchanged at 100 per cent. There were no material changes in the Company's shareholder base in 2020. Further information on Baloise's significant shareholders as at 31 December 2020 can be found in table 15 on page 300.

STATISTICS ON BALOISE SHARES

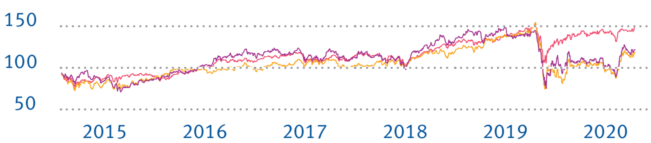
	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020
Price at year-end (CHF)	128.30	151.70	135.40	175.00	157.50
High (CHF)	131.00	159.40	159.40	186.60	182.10
Low (CHF)	103.20	121.35	131.60	135.80	107.90
Market capitalisation (CHF million)	6,415.0	7,403.0	6,607.5	8,540.0	7,686.0
Basic earnings per share (CHF)	11.53	11.50	11.14	15.02	9.65
Diluted earnings per share (CHF)	11.22	11.48	11.12	14.99	9.63
Price / earnings (p / e) ratio [1]	11.13	13.19	12.15	11.65	16.32
Price / book (p / b) ratio [1]	1.04	1.14	1.07	1.20	1.10
Number of shares issued (units)	50,000,000	48,800,000	48,800,000	48,800,000	48,800,000
Minus the number of treasury shares (units)	2,499,945	1,327,993	2,218,134	3,238,607	3,750,453
Number of shares in circulation (units)	47,500,055	47,472,007	46,581,866	45,561,393	45,049,547
Average number of shares outstanding [2]	46,381,359	47,641,577	46,979,421	46,219,774	45,031,594
Dividend per share [3] (CHF)	5.20	5.60	6.00	6.40	6.40
Dividend payout ratio [3]	45.1	48.7	53.9	42.6	66.3
Dividend yield [3]	4.1	3.7	4.4	3.7	4.1

1 Calculation is based on the profit for the period attributable to shareholders and the equity attributable to shareholders.
2 Relevant for calculation of earnings per share (see page 267 of the Financial Report).
3 2020 based on the proposal submitted to the Annual General Meeting.

BALOISE SHARES

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

INDEXED SHARE PRICE PERFORMANCE [1] BÂLOISE HOLDING REGISTERED SHARES 2015 – 2020



1 31 December 2014 = 100

- Bâloise Holding registered shares (BALN)
- SWX SP Insurance Price Index (SMINNX)
- Swiss Performance Index (SPI)

Our core activities

BELGIUM

Baloise Insurance

Business volume (CHF million)

Life: 190.3 Non-life: 1,487.4

Investment-type premiums: 511.0

Employees: 1,715

Net combined ratio: 90.9 %

LUXEMBOURG

Bâloise Assurances

Business volume (CHF million)

Life: 72.5 Non-life: 138.6

Investment-type premiums: 1,025.0

Employees: 558

Net combined ratio: 89.3 %

SWITZERLAND

Basler Versicherungen

Business volume (CHF million)

Life: 2,648.2 Non-life: 1,368.4

Investment-type premiums: 114.2

Employees Swiss offices: 3,850 (including Baloise Bank SoBa and Baloise Asset Management)

Net combined ratio: 88.5 %

Baloise Bank SoBa

Customer assets under management generated by sales force: CHF 2,433.0 million

Lending-business assets generated by sales force: CHF 1,280.1 million

Wealth & pensions advisory mandates: 3,212

Return on equity: 6.5 %

Employees: 386

Baloise Asset Management

Total assets under management: CHF 66.2 billion

Third-party assets under management: CHF 11,758.8 million

Net new third-party assets: CHF 1,244.4 million

Employees: 159

Cost / income ratio: 54.2 %

GERMANY

Basler Versicherungen

Business volume (CHF million)

Life: 380.2 Non-life: 776.4

Investment-type premiums: 182.5

Employees: 1,570

Net combined ratio: 94.9 %

Life
Investment-type premiums
Non-life

New targets for the Simply Safe strategy

In 2016, Baloise launched its new strategy and targets for the period up to 2021 in the form of its Simply Safe strategy (‘Simply Safe: Season 1’). The insurance sector is changing, and the aim of the strategy was to allow Baloise to evolve into an innovative provider of solutions, expanding its core business and extending beyond traditional insurance. Customer focus is at the heart of this strategy, but it’s not just about providing cover and insuring risks: Baloise is also seeking to address the wider needs of customers in a changing society. In the next phase, Baloise aims to go even further and become an important part of people’s lives. This ambition is based on a value-creation model that has been integrated into the next strategic phase. With a clear focus and with three simple yet ambitious objectives in the area of employees, customers and shareholders, Baloise is continuing its strategic journey towards future growth.

The Company unveiled the next phase of its strategy – ‘Simply Safe: Season 2’ – at its Investor Day in autumn 2020. This phase will last from 2022 to 2025 and will see Baloise building on the goals and successes of the current strategic phase and continuing to focus on its core stakeholders (customers, employees and shareholders). At the same time, the Company is committed to the value creation model (see page 36) that underpins its sustainability strategy and which will be an integral part of its future strategy. Baloise is thus expanding its stakeholder perspective and formulating ambitions for partners, society and the environment, too.

▸ Chapter ‘Sustainable business management / Responsibility’

‘SIMPLY SAFE: SEASON 1’ IS ON THE HOME STRAIGHT

The ‘Simply Safe: Season 1’ phase, launched in 2016 and begun in 2017, focuses on three core stakeholder groups (employees, customers and investors) and has so far achieved the hoped-for results. The targets are ambitious, but the Company is on track to achieve them.

EMPLOYEES

By 2021, Baloise aims to be an industry leader in terms of employer attractiveness and be among the top 10 per cent of employers in the European finance industry. We firmly believe that employees are the key to implementing our corporate strategy. Performance will be measured by a key performance indicator that shows how frequently Baloise is recommended as a good place to work by its employees.

CUSTOMERS

Baloise aims to have one million new customers by 2021 – a 30 per cent increase on the 2016 figure. Baloise is becoming the first choice for people who want to feel ‘simply safe’. An even stronger focus on customer needs, tailored omnichannel communication and innovative products and services in the areas of insurance, assistance and pensions will help us to achieve this growth.

SHAREHOLDERS

Baloise aims to transfer CHF 2 billion in cash to the holding company by 2021. This will be made possible by sustained improvements in profitability in the life insurance and banking business coupled with innovative products in the core business and services outside the traditional insurance business. Shareholders benefit directly through the rigorous adherence to an attractive and sustainable dividend policy and the repurchase of up to three million treasury shares, which was completed in 2020, and indirectly from capital investment in new strategic projects that will generate additional profits in existing and new areas of business.

PROGRESS MADE 2020

CUSTOMERS
Ambition: 1 million additional customers

2020: **+ 225,000** Ambition by 2021: **+ 1,000,000**

738,000: sum since the start of the Simply Safe strategy

EMPLOYEES
Ambition: leading employer amongst European financials

2020: **top 8%** Ambition by 2021: **top 10 %**

SHAREHOLDERS
Ambition: CHF 2 billion cash remittance to the holding

2020: **CHF 424 mn** Ambition by 2021: **CHF 2 bn**

1,743,000: sum since the start of the Simply Safe strategy

'SIMPLY SAFE: SEASON 2' LAUNCHES IN 2022

'Simply Safe: Season 2' marks the start of Baloise's next strategic phase and sets out the ambitions and targets of the Company for the period from 2022 to 2025. By 2025, Baloise aims to:

- break into the top 5 per cent of companies to work for in Europe
- attract 1.5 million new customers
- generate CHF 2 billion in cash

The targets for 'Simply Safe: Season 2' are more ambitious than those of Season 1, particularly since this phase is one year shorter. Based on the insights gained from Season 1, the following four strategy areas have been defined:

- Focus: focusing on the core insurance business
- Reimagine: improving the customer experience
- Diversify: moving into new business areas
- Transform: harnessing the corporate culture and agility as key drivers of the transformation

The 'Focus' strategy area encompasses all life and non-life initiatives in the core insurance business, as well as matters relating to cash and capital. In the non-life business, Baloise is aiming for a combined ratio of around 90 per cent (previously: 90 to 95 per cent) to further improve profitability. In the life business, the target is EBIT in excess of CHF 200 million annually and a further substantial contribution to cash flows. For cash and capital, Baloise intends to distribute 60 to 80 per cent of cash as dividends and invest 10 to 30 per cent in innovation and capital management.

The objective of 'Reimagine' and the related aim of 'improving the customer experience' is to make collaboration even easier for the Company's customers and partners. Baloise is looking to provide a simpler and more enjoyable experience for customers by systematically harnessing their feedback and doing more to understand their needs. Cutting-edge data analysis and further significant investment in digital technologies will help it to do this. It also aims to establish the 1.5 million new customers it will have attracted by 2025 as loyal, long-term and profitable sources of revenue by engaging in cross-selling and up-selling activities. Third-party business in the asset management segment is to be increased by a minimum of CHF 10 billion in net new assets.

'Diversify': Diversification of the business will be key to long-term competitive success in the insurance market. Baloise has therefore set itself the ambition of further unlocking the substantial growth potential of its digital insurer FRIDAY and generating revenue of around CHF 160 million by 2025. The Home and Mobility ecosystems will be significantly expanded with revenue in excess of CHF 200 million targeted for 2025. The Company aims to reach a total value creation figure of approximately CHF 1 billion for all Baloise innovations by 2025, making this a third key pillar alongside the insurance and asset management & banking businesses.

'Transform' encompasses Baloise's unique corporate culture that has been both a resource and a driver for the ambitious strategic realignment that began with the launch of Simply Safe. In addition to the ambition of using agile working methods to be a consistently innovative and effective business, Baloise also aims to be an employer that fulfils the needs of its employees and provides opportunities for continuous personal and professional development.

With the new 'Simply Safe: Season 2' phase, Baloise intends to become a technology-driven financial services provider and leading provider of ecosystems that – in a rapidly changing world – fulfils the needs of its customers in the best possible way. Baloise wants be more than an insurance company – it aims to be an important part of people's lives.

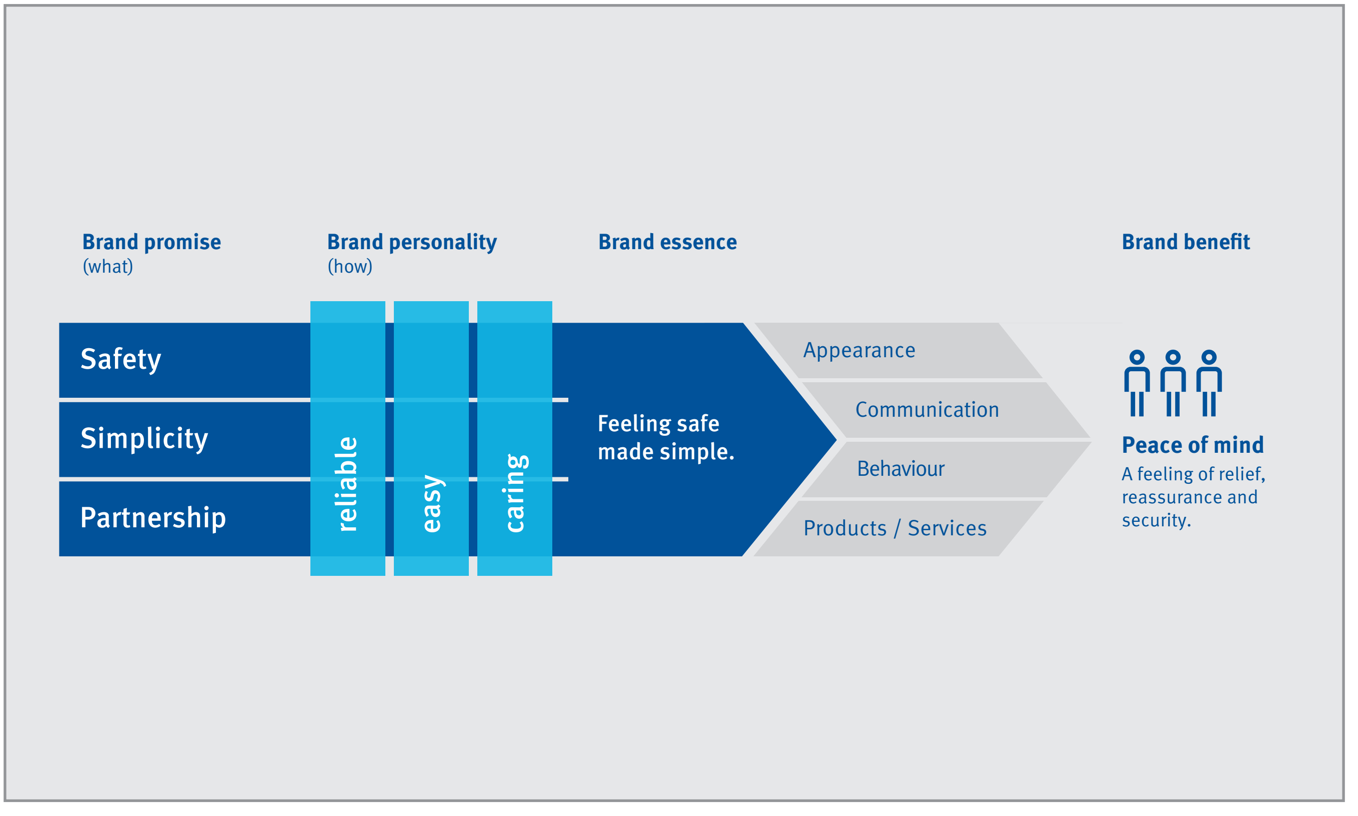
The Baloise brand as a strategic asset

The Baloise brand is more than just marketing. It creates a link between customers and Baloise and its services by communicating the brand promise and strengthening trust in the Company's services. The brand builds trust, which enables Baloise to stand out in the market and communicate its strategy accordingly. Baloise wants to add to the trust it has already established and systematically develop the brand as a strategic asset.

The Baloise brand has been continuously refined over many years and today stands for safety, simplicity and partnership. Safety is the core: it forms the basis of everything we do – of every service and every product. Simplicity expresses our aim to deliver an exceptional customer experience with straightforward solutions, streamlined processes and clear communication. Our focus on partnership is one of our greatest emotional strengths and is predicated on value creation and mutual respect. We nurture and deepen our relationships with all our stakeholders.

THE BRAND MAKES STRATEGY VISIBLE

In the next strategic phase, the aim is to use the brand more consistently as a strategic asset. It will make the strategy more visible and more tangible, internally and externally. Brand ambitions will be defined to emphasis the strategic importance of the Baloise brand. The ambitions will serve as a beacon for the development of the brand and the contribution to the next strategic phase 'Simply Safe: Season 2' from 2022 onwards. They will also guide the proactive and sustainable management of our reputation. The brand ambition will consist of internal and external perspectives. The internal perspective aims to support the implementation of the next strategic phase while the external perspective exerts a kind of multiplier effect on the work of Baloise. It is intended to influence the way that external stakeholders perceive Baloise.



Review of operating performance

Baloise successfully enters the home straight of simply safe in 2020

As the 2020 financial year drew to a close, Baloise successfully entered the home straight of its Simply Safe strategic phase. The Company is on track to achieve its ambitions for the 2017 to 2021 period in spite of the challenging conditions that have arisen from the Covid-19 pandemic. The results for 2020 demonstrate that Baloise is resilient in times of crisis – thanks to its far-sighted strategy with a strong focus on long-term success – and that the Company is meeting the demands made of it by its stakeholders. From this solid position, Baloise is looking ahead with confidence to ‘Simply Safe: Season 2’, the next strategic phase that will cover the period 2022 to 2025. The Company’s objectives and ambitions for this phase were presented in detail at the Investor Day on 29 October 2020.

OVERVIEW, PROFIT AND BUSINESS VOLUME

Status of target achievement

The macroeconomic impact of the Covid-19 pandemic and particularly the measures adopted to contain the spread of the virus significantly affected many sectors of the economy. The insurance industry permeates all areas of the economy and has therefore been especially hard hit, primarily due to payouts on claims for financial losses. Against the backdrop of this global crisis, Baloise can nevertheless look back on a successful 2020. The Company has helped thousands of customers in difficult circumstances and has mitigated risks. In addition to granting payouts for loss or damage, it also offered assistance in the form of deferrals of invoice payments and, in some cases, even rent waivers. The full range of services was provided to customers without restriction throughout the entire year, with rigorous hygiene protocols being observed. As a result, the Company was able to maintain high profit levels and generate growth in relevant target segments, both organically and through acquisitions. Baloise has thus proven its resilience in a crisis and demonstrated that its business model with a focus on long-term success, its strong corporate culture and its investment in digitalisation in recent years have paid off, particularly during this time of global challenges.

Baloise considers itself within touching distance of achieving the three strategic goals for the phase from 2017 to 2021.

The goal of becoming one of the top 10 per cent of employers in the financial sector in Europe was already achieved in the second half of 2020. Baloise thus managed to improve its performance in the benchmark index by more than 20 percentage points within just four rather than five years and now ranks among the top 8 per cent of its peer group.

The Company also wants to attract one million additional customers by the end of 2021. In 2020, around 225,000 new customers were gained, bringing the total number of new customers since 2017 to around 738,000. This figure does not include around 500,000 customers that were added as a result of acquisitions in Belgium in 2019.

The generation of cash is also progressing according to schedule and came to around CHF 424 million in 2020. Since 2017, a total of CHF 1,743 million of the targeted CHF 2 billion has been generated.

Baloise is therefore well on track to achieve its ‘Simply Safe’ targets by 2021. Based on the successes achieved in previous years, it can now also tackle the next strategic phase ‘Simply Safe: Season 2’ from a position of strength. This phase will start in 2022 and was presented at the Investor Day.

Profit

Profit attributable to shareholders for 2020 amounted to CHF 434.3 million and was therefore 37.4 per cent lower than in the previous year (2019: CHF 694.2 million). The figure for 2019 had been boosted in part by a non-recurring tax effect of around CHF 149 million that was not repeated in 2020. Other factors that contributed to this decline in profit alongside the tax effect were expenses in connection with the Covid-19 pandemic and a fall in net financial income, as previously communicated in the 2020 half-year financial statements. Gains on investments came to CHF 1,270.5 million and thus fell short of the prior-year figure by 6.3 per cent (2019: CHF 1,355.7 million). This was attributable to disruptions in the capital markets caused by the Covid-19 pandemic and the resulting impairment losses on securities and to the persistent environment of low interest rates.

The gross expenses incurred for 2020 in connection with Covid-19, including the necessary reserves, amounted to around CHF 178 million. Net expenses incurred for 2020 in connection with Covid-19 after reinsurance came to around CHF 72 million. Payouts to cafés, bars and restaurants in Switzerland that were forced to close temporarily as a result of government-imposed measures to combat the spread of coronavirus accounted for the bulk of the volume. Baloise is thus helping thousands of business customers during this period of crisis. The majority of the net expenses were posted in the first half of 2020.

Earnings before interest and tax (EBIT) came to CHF 602.9 million, which represents a year-on-year decline of 16.7 per cent (2019: CHF 723.9 million). This fall was caused to a significant extent by lower gains on investments.

Business volume and combined ratio

The growth in the volume of business was encouraging. In 2019, the withdrawal of a competitor from business involving comprehensive insurance solutions resulted in a positive non-recurring effect of around CHF 569 million. Against this backdrop, the business volume for 2020 was down by 6.1 per cent year on year at CHF 8,926.5 million (2019: CHF 9,509.9 million). In local currency terms, the decrease was 4.2 per cent. The selective underwriting policy in the life business further contributed to the reduction in business volume. In its target segments, especially in the attractive non-life business, Baloise generated both organic growth and growth through acquisitions.

BUSINESS VOLUME

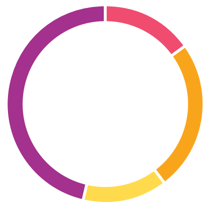
	2019	2020	+/– %
CHF million			
Total business volume	9,509.9	8,926.5	– 6.1
Life	4,060.3	3,291.3	– 18.9
Non-life	3,542.1	3,802.5	7.3
Investment-type premiums	1,907.5	1,832.7	– 3.9

In the non-life business, Baloise was able to maintain profitability almost on a par with the record level achieved in 2019. The net combined ratio – including net claims incurred in connection with Covid-19 – was 91.2 per cent and thus at the lower end of the communicated target range of 90–95 per cent (2019: 90.4 per cent). All core markets contributed to this excellent result. The achievement of such a solid performance in a year that was severely impacted by Covid-19 demonstrates that the portfolio is of outstanding quality and that reinsurance cover was taken out prudently.

BUSINESS VOLUME IN 2020 (GROSS) BY STRATEGIC BUSINESS UNIT

As a percentage

Switzerland	46.3
Germany	15.0
Belgium	24.5
Luxembourg	13.8



Equity, dividend and capitalisation: confirmation of a dividend of CHF 6.40 requested

Consolidated equity went up by 4.0 per cent year on year to reach CHF 6,985.7 million at the end of 2020 (31 December 2019: CHF 6,715.6 million). In June 2020, Standard & Poor's (S&P) confirmed its rating of A+ for Baloise. The outlook for the German business unit Basler Sachversicherungs-AG was upgraded from 'stable' to 'positive' by S&P in light of its improved profitability. In the Swiss Solvency Test (SST)*, a ratio of over 180 per cent is expected as of 1 January 2021. Baloise was thus able to reaffirm its strong capitalisation in spite of challenging conditions.

The repurchase programme for more than three million shares that was initiated in April 2017 reached completion in March 2020. As a result of this programme, CHF 481.2 million was returned to shareholders. Of this volume, 565,925 shares worth CHF 92.8 million in total were bought back in 2020.

In light of the solid results, the Board of Directors of Bâloise Holding Ltd intends to propose to the Annual General Meeting on 30 April 2021 that the dividend be maintained at the same attractive level as in 2019, at CHF 6.40 per share.

* The SST ratio will be published at the end of April 2021.

DEVELOPMENT OF NET COMBINED RATIO

As a percentage

CORE INSURANCE BUSINESS

Non-life division: healthy growth and a good combined ratio

The premium volume in the non-life business increased by 7.3 per cent to CHF 3,802.5 million (2019: CHF 3,542.1) thanks to the inclusion of Fidea NV and the non-life portfolio of Athora in Belgium for the first full year following their acquisition and to encouraging organic growth in all core markets. In local currency terms, the rate of growth came to an even more impressive 10.1 per cent. After adjustment for the acquisitions in Belgium, the growth rate in local currency was still a very good 4.3 per cent. The premium volume in Switzerland amounted to CHF 1,368.4 million, up by a solid 1.8 per cent compared with the previous year (2019: CHF 1,344.2 million). Translated into Swiss francs, the volume of premiums in Germany fell by 1.7 per cent to CHF 776.4 million (2019: CHF 790.0 million). But in local currency terms, the volume saw a healthy increase of 2.1 per cent. Belgium and Luxembourg recorded strong growth in the volume of premiums, both in Swiss francs and in the local currency. The Belgian business benefited significantly from the two acquisitions. The volume of premiums there jumped by 18.9 per cent to CHF 1,487.4 million (2019: CHF 1,251.1 million), which equated to growth of 23.6 per cent in local-currency terms (7.5 per cent excluding the acquisitions). This shows that the Belgian business is diversifying the portfolio at Group level and helping to create stability. Luxembourg also delivered healthy growth of 1.4 per cent to reach CHF 138.6 million (2019: CHF 136.7 million). This equated to growth of 5.3 per cent in local currency terms.

EBIT in the non-life business fell by 24.2 per cent year on year to CHF 302.2 million (2019: CHF 398.9 million), which was mainly attributable to lower gains on investments. Nevertheless, profitability in the non-life business remained very strong, which highlights the high quality of Baloise's non-life portfolio. The net combined ratio was maintained at a very good level of 91.2 per cent (2019: 90.4 per cent). This was mainly due to the fact that the majority of Covid-19-related expenses were covered by reinsurance and that the general level of claims and the number of large claims and natural disasters was otherwise low in 2020. All business units contributed to this very strong result.

Life business: normalisation in premium volume and a solid profit contribution

The volume of business in the life insurance business fell by 14.1 per cent year on year to CHF 5,124.0 million (2019: CHF 5,967.7 million). In local currency terms, the decrease was 12.7 per cent. This was mainly attributable to a selective underwriting policy for occupational pension products and a non-recurring positive effect in this segment of the Swiss market the previous year. A competitor in the group life business withdrew

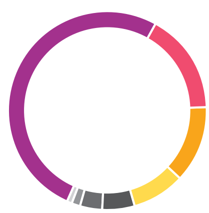
PROPRIETARY INVESTMENTS BY CATEGORY [1]

CHF million	31.12.2019	31.12.2020	+/– %
Investment property	8,120.1	8,410.3	3.6
Equities	3,576.6	3,574.6	– 0.1
Alternative financial assets	1,102.8	911.4	– 17.4
Fixed-income securities	34,587.6	35,092.4	1.5
Mortgage assets	11,069.3	11,250.6	1.6
Policy loans and other loans	5,743.6	5,764.3	0.4
Derivatives	469.7	493.2	5.0
Cash and cash equivalents	2,412.6	2,590.1	7.4
Total	67,082.4	68,086.8	1.5

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

INVESTMENT COMPONENTS IN 2020

As a percentage	
Fixed-income securities	51.5
Mortgage assets	16.5
Investment property	12.4
Policy loans and other loans	8.5
Equities	5.3
Cash and cash equivalents	3.8
Alternative financial assets	1.3
Derivatives	0.7



ASSETS HELD BY BALOISE

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

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

its comprehensive insurance products from the market in 2019, which resulted in a sharp rise in business volume that was mainly driven by single premiums. All in all, this gave the business volume in the life insurance business an uplift of around CHF 569 million in 2019. In 2020, the volume of premiums in the traditional life business normalised as expected, contracting by 18.9 per cent to CHF 3,291.3 million (2019: CHF 4,060.3 million). For the Swiss business, this translated into a decline in gross premiums written in the traditional life business of 22.6 per cent to CHF 2,648.2 million (2019: CHF 3,422.9 million). In Swiss francs, the German business recorded a slight uptick of 0.6 per cent in gross premiums written, reaching CHF 380.2 million. In local currency terms, the rate of growth was 4.6 per cent. Gross premiums written in Belgium grew by 4.7 per cent in Swiss francs to CHF 190.3 million, which equated to growth of 8.8 per cent in local currency terms. In Luxembourg, the volume of gross premiums written in the life business contracted by 5.6 per cent to CHF 72.5 million. This equated to a decline of 1.9 per cent in local currency terms.

The volume of investment-type premiums dropped by 3.9 per cent year on year to CHF 1,832.7 million (2019: CHF 1,907.5 million). This was due to persistently challenging market conditions for the ‘Freedom of Service’ business. But with more than CHF 10 billion in assets under management, Baloise is maintaining its position as a key player in this segment. Negative currency effects and Baloise’s market-driven decision not to offer a tranche product in Switzerland in 2020 that had generated a positive effect in the prior-year period also contributed to this decline.

EBIT in the life business amounted to a solid CHF 282.2 million, thus exceeding the minimum expected profit contribution of CHF 200 million (2019: CHF 274.8 million). Net financial income in the life business was also adversely affected by impairment losses. This was counteracted by positive effects in technical reserves. The amount needed to strengthen reserves was lower than in 2019. As a result, EBIT increased slightly.

The interest margin stood at a good level of 102 basis points (2019: 109 basis points). The average guaranteed rate of return in the traditional life business dropped from 1.2 per cent to 1.1 per cent due to the interest rate-related strengthening of reserves and an improved business mix.

The new business margin in the life business was very healthy at 42.7 per cent in 2020, representing a return to a more normal level compared with the prior-year figure, which had been influenced by a one-off spike in volume in the group life business in Switzerland (2019: 37.3 per cent).

Key figures for the national Baloise companies

KEY FIGURES FOR SWITZERLAND

CHF million	2019	2020	+/– %
Business volume	4,920.5	4,130.8	–16.0
Of which: life	3,576.4	2,762.4	–22.8
Of which: non-life	1,344.2	1,368.4	1.8
Net combined ratio (per cent)	87.9	88.5	0.6
Profit before borrowing costs and taxes	500.2	386.3	–22.8

KEY FIGURES FOR GERMANY

CHF million	2019	2020	+/– %
Business volume	1,363.5	1,339.0	–1.8
Of which: life	573.5	562.6	–1.9
Of which: non-life	790.0	776.4	–1.7
Net combined ratio (per cent)	90.9	94.9	4.0
Profit before borrowing costs and taxes	20.2	20.9	3.5

KEY FIGURES FOR BELGIUM

CHF million	2019	2020	+/– %
Business volume	1,936.9	2,188.7	13.0
Of which: life	685.8	701.3	2.3
Of which: non-life	1,251.1	1,487.4	18.9
Net combined ratio (per cent)	94.5	90.9	–3.6
Profit before borrowing costs and taxes	195.2	245.8	25.9

KEY FIGURES FOR LUXEMBOURG

CHF million	2019	2020	+/– %
Business volume	1,267.9	1,236.1	–2.5
Of which: life	1,131.1	1,097.5	–3.0
Of which: non-life	136.7	138.6	1.4
Net combined ratio (per cent)	97.7	89.3	–8.4
Profit before borrowing costs and taxes	22.7	28.9	27.3

ASSET MANAGEMENT AND BANKING

Following the outbreak of Covid-19 in early 2020, the ensuing lockdowns caused economic activity to grind to a halt in an unprecedented manner in March. In response, the financial markets rapidly plunged into turmoil. After a crash that saw global share prices plummet by 34 per cent within 24 trading days, most markets quickly began to recover. Concerns in connection with the pandemic intermittently caused volatility, but the central banks' policy of low interest rates and new asset purchase programmes as well as comprehensive support packages provided by governments boosted the stock markets and stabilised bonds.

Insurance assets: solid investment yield in an unusual trading year

In light of the market turmoil, gains on the investment of insurance assets were lower than in the previous year at CHF 1,270.5 million (2019: CHF 1,355.7 million). Current income fell to CHF 1,101.0 million owing to the persistently low level of interest rates (2019: CHF 1,176.5 million). This trend was mitigated, to an extent, by reallocating assets to private debt and building up positions in corporate bonds at attractive credit spreads.

At CHF 579.1 million, the capital gains recognised in the income statement were up by CHF 5.6 million compared with the prior year. This was attributable to high contributions from bonds and equities. Impairment losses were up by CHF 122.5 million year on year. This increase was mainly driven by European equities and was linked to the disruption in the capital markets caused by the Covid-19 pandemic.

The net gains and losses relating to currency hedging costs and currency effects arising on unhedged currency exposures improved by CHF 102.3 million to a gain of CHF 74.9 million owing to lower currency hedging costs and exchange rate movements.

The gains on investments achieved for insurance assets equated to a net return of 2.1 per cent, which was down a little on the 2019 figure of 2.3 per cent. Unrealised gains rose by CHF 546.2 million owing to changes in interest rates and the narrowing of spreads. The rate of return on insurance assets according to IFRS – which includes unrealised net gains and losses on investments, but excludes gains and losses on held-to-maturity debt instruments – was 3.0 per cent, representing a decrease on the 4.7 per cent rate of return according to IFRS in 2019.

Significant increase in external customers' assets

As at 31 December 2020, the total assets under management stood at CHF 66.2 billion, a rise of 4 per cent on the prior year. The increase in volume was due not only to the recovery in the financial markets in the second half-year and a strong performance towards the end of 2020, but also to additional inflows, which included both insurance assets and assets in business with external customers. The latter was primarily attributable to growth in assignments for real estate portfolio management.

On average over the year, the volume of assets under management remained lower than in 2019 and thus generated lower returns. Alongside the smaller average volume, other one-off effects also contributed to the decline. Most notably, additional non-recurring income was generated in 2019 as a result of the capital increase of the Baloise Swiss Property Fund.

Business with external customers was once again expanded substantially in 2020. Net new assets amounted to CHF 1,244.4 million, a year-on-year increase of 48 per cent. The volume of business with external customers was thus increased significantly and further skills and expertise were accumulated.

The asset management mandates at Baloise Bank SoBa also made a significant contribution to the rise in net new assets. The number of asset management mandates increased to 3,212 (up by 21.4 per cent), highlighting the benefits of the bank's unique offering in Switzerland of insurance, banking and asset management from a single source, and of integrating pension and wealth management services.

The real estate segment saw strong growth. At the start of 2020, Baloise acquired two plots of land that form part of the Giessen development in Dübendorf. Plans for the approximately 35,000 square metre site include the construction of around 500 new homes, as well as commercial units and green spaces, by 2026. In August 2020, the Group's new headquarters at Baloise Park was officially opened. The complex, which comprises three buildings, is a striking new landmark in Basel right by the central train station. In addition to the Group headquarters, two investment properties were constructed that have already been almost fully let.

Baloise also further underpinned its ambitions as a real estate service provider by entering into a partnership with Pensionskasse Basel-Stadt at the end of 2020.

In the market for liquid assets, the Baloise Global Bonds CHF Optimized fund and the Baloise Senior Secured Loans fund enjoyed strong demand and became the flagship portfolios in their respective product categories. In the summer of 2020, Baloise Asset Management invested in Zurich-based asset manager Tolomeo Capital AG as part of a strategic partnership, which strengthened its position as one of Switzerland's leading rule-based asset managers. The Group entities Baloise Asset Management Schweiz AG and Baloise Immobilien Management AG were merged in order to simplify the structure. They now operate under the single name Baloise Asset Management AG. In addition, Baloise continued to evolve its culture in order to become an increasingly customer-oriented organisation. To this end, employees now collaborate in self-organised cross-functional teams with end-to-end responsibility. The aim behind this change is to strengthen the focus on customers and increase efficiency.

Baloise Asset Management contributes to the sustainability strategy of the Baloise Group by taking a responsible investment approach. The Baloise Responsible Investment Policy (RI Policy) provides a fundamental framework for the implementation of a sustainable value creation process. In 2020, the scope of the sustainable investment approach was expanded to all assets managed by Baloise in products for external customers, the Baloise Senior Secured Loans fund, the selection of third-party funds and real estate investments.

The climate strategy and the launch of the active ownership approach in the first quarter of 2021 mark two milestones in the implementation of the sustainable investment strategy. The aim of the climate strategy is to reduce risks that arise in connection with climate change and to manage these risks prudently in the portfolio. The active ownership approach focuses on an active dialogue with companies on specific issues and sustainability topics. This enables us to generate a positive environmental and social impact with the assets we manage. In addition, the requirements of the European regulator under the EU Action Plan are being implemented in order to improve transparency on the subject of sustainability for investors.

ECOSYSTEMS & INNOVATION

At the Investor Day in October 2020, Baloise presented the next strategic phase, 'Simply Safe: Season 2', which covers the period 2022 to 2025. This phase will be decisive for digital advances at Baloise. The aim is to become a technology-driven financial services provider and a key actor within the Home and Mobility ecosystems, making Baloise an indispensable partner to customers in their everyday lives. In addition to its core insurance business and its asset management and banking activities, the Company is therefore also focusing on innovation, the third pillar of its business model. The ambition is to reach a value creation figure of approximately CHF 1 billion with the Baloise innovations by 2025 and to generate additional business volume of more than CHF 350 million in this area over the same period.

Alongside the core insurance business, the Group-wide innovation focus will be on the Home and Mobility ecosystems, which were further expanded in 2020. We expect the business volume in each of these ecosystems to grow to around CHF 100 million by 2025. The target for our digital insurance service FRIDAY is to reach a business volume of more than CHF 150 million in 2025.

Home ecosystem

In Switzerland, Baloise invested in cleaning services provider Batmaid in the first half of 2020 and established a partnership with quitt., a leading platform facilitating hiring, payroll and social security administration processes for domestic support workers. It thus expanded its existing range of partnerships with Movu, Bubblebox and Devis in the Home ecosystem.

Customers visiting the batmaid.ch website can hire properly insured and qualified cleaning staff online within one minute. The company's integrated trust service registers workers and takes care of payroll taxes on behalf of its customers. The cleaning staff have the benefit of declared work and social insurance cover.

Quitt. is a leading provider of registration and administration services for domestic support workers in compliance with legal requirements in Switzerland. The company takes care of registering workers with all relevant authorities, running the payroll and organising the necessary insurance cover, thus guaranteeing that all domestic support workers are properly employed and insured. To this end, quitt. collaborates with all cantonal compensation offices and tax authorities in Switzerland and also offers customers a pension fund solution of its own.

In September 2020, Baloise invested in the start-up Houzy, a Zurich-based technology platform that enables owners of houses and apartments to manage every aspect of their property digitally in one place. Houzy intelligently connects its customers with the right partners, whether they are buying, renovating, maintaining or selling their property.

In Belgium, Baloise impressed customers with three new innovations. In collaboration with the Belgian start-up Keypoint, Baloise has developed a new digital assistant designed to simplify the work of property managers. In a bid to address the shortage of professional property managers in Belgium, Keypoint has developed a digital platform that brings all relevant parties together and helps them to carry out property management tasks.

The second innovation involved an investment by Baloise in the Walloon start-up ImmoPass, a service provider in the field of technical property checks. Potential buyers or property managers can use the ImmoPass system to assess the technical condition of their building in order to avoid unexpected renovation costs.

The third investment in Belgium, towards the end of the year, was made in Rentio – an innovative Flemish start-up that digitalises, centralises and automates all manner of tasks in connection with lettings processes. Property management companies, landlords and tenants can use the frictionless functionalities of its online platform or app to enter into contracts, monitor payments, exchange documents and sort out everyday problems such as a broken radiator or a routine boiler service.

In addition, Baloise used this period of widespread working from home as an opportunity to expand the offering of its B-Tonic health platform in Belgium in order to support the mental and physical well-being of its employees, brokers and customers. The platform provides tips on how to stay resilient, especially during the pandemic, for example by eating healthily and taking daily exercise. B-Tonic uses a combination of activities such as the 'Healthy in 100 days' challenge, free health guides, webinars and Facebook live sessions to provide useful input. This successful concept is on track to become a firmly established part of Baloise's activation offers in Belgium.

Mobility ecosystem

Baloise continued to drive forward the expansion of the Mobility ecosystem in 2020. In addition to existing investments and partnerships, e.g. with Drivolution, Gowago and Stratos*, Baloise launched two further initiatives in the second half of 2020.

Its subsidiary Mobly founded the mobility platform Moveasy in collaboration with the roadside assistance company Europ Assistance. Moveasy uses the concept of 'mobility as a service' and integrates more than 20 transport service providers in Belgium with the aim of providing residents in urban areas with sustainable and environmentally-friendly alternatives to the car as a mode of transport, while always enabling users to keep an eye on their travel budget.

In November 2020, Baloise announced a partnership with TWIICE, a Swiss start-up that specialises in the development of exoskeletons. This project enables Baloise to better integrate the mobility needs of a specific target group, i.e. people with musculoskeletal conditions. In line with its approach to sustainability and its commitment to fulfilling its corporate social responsibility, Baloise is taking this opportunity to shape the future of mobility in a way that makes it open to everyone, including those with disabilities.

At the end of the year, Baloise also announced the foundation of aboDeinauto and an investment in Ben Fleet Services in Germany. aboDeinauto is a start-up founded by Baloise with support from Berlin-based corporate venture builder Bridgemaker and the first car subscription service to focus specifically on used vehicles. Its concept is based on close collaboration with car dealers who gain the opportunity to get involved in the rapidly growing market of car subscription services through aboDeinauto. The monthly fee is affordably priced and the subscription model is simple and flexible. aboDeinauto enables customers to use a second-hand car of their choice on a monthly subscription basis with no long-term commitment. The close relationships with car dealers allow it to draw on a large pool of second-hand vehicles and to offer them at particularly attractive rates. This differentiates aboDeinauto from existing car subscription services in the market.

Ben Fleet Services was founded in 2019 and its digital service platform has been revolutionising the market for fleet-based services ever since. Its portfolio of services, which can be used for individual vehicles or entire fleets, includes on-site cleaning, refuelling and charging, maintenance and repairs, and delivery and collection. The company looks after not only cars (both conventional and electric) but also vans, buses and trains, bicycles and e-scooters. The platform efficiently integrates these services with existing customer systems via digital interfaces. Its automated processes generate time and cost savings and offer customers a high degree of flexibility.

* Formerly 'Carhelper'.

FRIDAY

FRIDAY achieved its targets for the 2020 financial year and now has a base of more than 100,000 customers. The outbreak of the Covid-19 pandemic caused a dip in new vehicle registrations in Germany, but thanks to its digital offering, FRIDAY was still able to meet its growth targets. Gross premiums written by FRIDAY doubled year on year to more than CHF 30 million in 2020. This growth was accompanied by high customer satisfaction and continuous improvement of the claims ratio. FRIDAY intends to achieve further growth in 2021. The company's planned market launch in France will be an important step in this regard. FRIDAY plans to generate a contribution of more than CHF 150 million to total business volume by 2025.

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

OUTLOOK

The good results for 2020 show that Baloise is well on track to achieve its targets for the Simply Safe strategic phase by 2021 despite the substantial challenges posed by the Covid-19 pandemic. A reliably strong balance sheet, solid profitability levels and a healthy volume of business show that Baloise is continuing to operate in a prudent and sustainably successful way despite challenging conditions. At the Investor Day on 29 October 2020, the Baloise Group presented the content of 'Simply Safe: Season 2', the next phase of its strategy that sets out the Company's targets and ambitions for the period 2022 to 2025. By 2025, Baloise is aiming to be in the top 5 per cent of the best companies to work for in Europe, to have gained 1.5 million new customers and generated CHF 2 billion in cash. Of this cash, it intends to distribute 60 to 80 per cent as dividends. Baloise also wants to further exploit the substantial potential for growth of its digital insurance enterprise FRIDAY. And in addition to the two existing pillars of insurance and asset management & banking, it wants to establish the Home and Mobility ecosystems – along with further innovations – as a new third pillar of its business and reach a value creation figure of CHF 1 billion in these new areas.

Consolidated income statement

FIVE-YEAR OVERVIEW

	2016	2017	2018	2019	2020
CHF million					
Income					
Premiums earned and policy fees (gross) [1]	6,680.6	6,726.4	6,737.0	7,571.3	7,034.8
Reinsurance premiums ceded	– 168.2	– 183.4	– 209.0	– 241.5	– 268.0
Premiums earned and policy fees (net)	6,512.4	6,542.9	6,528.0	7,329.8	6,766.8
Investment income	1,476.6	1,392.5	1,376.0	1,257.0	1,176.5
Realised gains and losses on investments [2]					
For own account and at own risk	303.1	427.8	96.1	336.1	288.3
For the account and at risk of life insurance policyholders and third parties	364.1	696.5	– 1,087.8	1,709.5	179.5
Income from services rendered	110.1	116.9	130.4	126.0	118.5
Share of profit (loss) of associates	7.1	5.5	6.2	10.8	64.1
Other operating income	136.8	235.0	227.6	227.7	193.4
Income	8,910.2	9,417.1	7,276.6	10,996.9	8,787.0
Expense					
Claims and benefits paid (gross)	– 5,664.2	– 5,726.5	– 5,904.4	– 6,090.4	– 6,182.6
Change in technical reserves (gross)	– 669.1	– 535.0	412.4	– 956.7	33.1
Reinsurance share of claims incurred	108.2	80.8	83.3	117.0	236.4
Acquisition costs	– 502.9	– 482.1	– 535.8	– 554.6	– 581.3
Operating and administrative expenses for insurance business	– 763.9	– 765.8	– 810.8	– 816.0	– 831.6
Investment management expenses [3]	– 60.3	– 77.2	– 82.2	– 108.1	– 107.4
Interest expenses on insurance liabilities	– 30.5	– 21.9	– 19.2	– 17.2	– 15.2
Gains or losses on financial contracts	– 342.9	– 613.4	801.2	– 1,388.0	– 259.5
Other operating expenses [3]	– 300.9	– 591.8	– 483.6	– 459.0	– 476.1
Expense	– 8,226.6	– 8,733.0	– 6,539.1	– 10,273.0	– 8,184.1
Profit before borrowing costs and taxes	683.6	684.1	737.5	723.9	602.9

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

FIVE-YEAR OVERVIEW

	2016	2017	2018	2019	2020
CHF million					
Profit before borrowing costs and taxes	**683.6**	**684.1**	**737.5**	**723.9**	**602.9**
Borrowing costs	– 38.0	– 34.3	– 39.9	– 37.7	– 34.3
Profit before taxes	**645.6**	**649.8**	**697.6**	**686.2**	**568.6**
Income taxes	– 111.7	– 117.9	– 174.7	3.3	– 140.3
Profit for the period	**533.9**	**531.9**	**522.9**	**689.5**	**428.3**
Attributable to					
Shareholders	534.8	548.0	523.2	694.2	434.3
Non-controlling interests	– 0.9	– 16.1	– 0.3	– 4.7	– 6.1
Earnings / loss per share					
Basic (CHF)	11.53	11.50	11.14	15.02	9.65
Diluted (CHF)	11.22	11.48	11.12	14.99	9.63

ADDITIONAL INFORMATION INSURANCE

	2016	2017	2018	2019	2020
CHF million					
Gross premiums written and policy fees	6,711.6	6,741.3	6,766.2	7,602.4	7,093.8
Investment-type premiums	2,199.2	2,519.5	1,912.1	1,907.5	1,832.7
Total business volume	**8,910.8**	**9,260.8**	**8,678.2**	**9,509.9**	**8,926.5**
Investments for the account and at the risk of life insurance policyholders	12,001.0	14,543.8	13,640.8	15,337.8	15,564.1
Net combined ratio	92.2	92.3	91.7	90.4	91.2
Funding ratio (non-life) (per cent)	188.5	193.3	179.4	179.8	174.3

Consolidated balance sheet

FIVE-YEAR OVERVIEW

as at 31.12.	2016	2017	2018	2019	2020
CHF million					
Assets					
Property, plant and equipment	349.3	353.3	318.3	362.8	466.2
Intangible assets	836.1	1,002.5	1,041.2	1,034.7	1,155.4
Investments in associates	160.4	138.4	221.1	387.4	263.4
Investment property	6,817.5	7,480.3	7,904.0	8,120.1	8,410.3
Financial instruments with characteristics of equity	14,305.6	15,874.9	14,137.9	16,232.9	16,539.8
Financial instruments with characteristics of liabilities	33,766.5	35,360.1	33,775.1	36,749.0	37,078.9
Mortgages and loans	16,354.7	16,568.6	16,396.2	16,812.9	17,014.9
Derivative financial instruments	757.3	800.4	914.8	1,048.1	1,089.1
Other assets / receivables	4,024.3	3,305.1	2,036.6	2,184.3	2,254.7
Deferred tax assets	69.3	88.8	73.5	97.4	87.9
Cash and cash equivalents	3,173.3	3,551.6	4,036.1	3,988.0	4,004.0
Total assets	80,614.3	84,523.9	80,854.8	87,017.8	88,364.5

as at 31.12.	2016	2017	2018	2019	2020
CHF million					
Equity and liabilities					
Equity					
Equity before non-controlling interests	5,741.3	6,346.2	5,970.6	6,714.0	6,983.7
Non-controlling interests	32.4	63.0	37.6	1.6	2.0
Total equity	5,773.7	6,409.2	6,008.2	6,715.6	6,985.7
Liabilities					
Gross technical reserves	46,209.0	48,008.5	46,575.2	48,333.3	48,585.0
Liabilities arising from banking business and financial contracts	20,317.7	22,696.5	21,539.0	24,540.4	25,283.5
Derivative financial instruments	299.0	145.3	117.3	117.5	152.6
Other accounts payable	7,070.0	6,341.9	5,707.2	6,372.6	6,357.4
Deferred tax liabilities	944.9	922.4	907.8	938.5	1,000.4
Total liabilities	74,840.6	78,114.7	74,846.6	80,302.2	81,378.8
Total equity and liabilities	80,614.3	84,523.9	80,854.8	87,017.8	88,364.5

Business volume, premiums and combined ratio

BUSINESS VOLUME

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

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

1 Premiums written and policy fees (gross).

NET COMBINED RATIO

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

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

1 Including the profit-sharing ratio.

GROSS AND NET COMBINED RATIO

	Gross		Net	
	2019	2020	2019	2020
as a percentage of premiums earned				
Claims ratio [1]	57.2	61.4	57.9	59.6
Expense ratio	31.1	30.3	32.5	31.6
Combined ratio	88.3	91.7	90.4	91.2

1 Including the profit-sharing ratio.

FUNDING RATIO (NON-LIFE)

	2019	2020
CHF million		
Technical reserve for own account [1]	5,984.9	6,235.8
Premiums written and policy fees for own account	3,329.4	3,577.6
Funding ratio (per cent)	179.8	174.3

1 Not including capitalised settlement premiums.

Technical income statement

	Non-life		Life[3]	
	2019	2020	2019	2020
CHF million				
Gross				
Gross premiums written and policy fees	3,542.1	3,802.5	4,060.3	3,291.3
Change in unearned premium reserves	–31.2	–59.1	–	–
Premiums earned and policy fees (gross)	3,511.0	3,743.4	4,060.3	3,291.3
Claims and benefits paid (gross)	–2,184.4	–2,338.3	–3,906.0	–3,844.3
Change in technical reserves (gross)				
Change in claims reserve / actuarial reserves[1]	183.5	52.4	–1,186.9	168.8
Change in other technical reserves	–20.1	–51.8	66.7	–136.6
Technical expenses	–1,116.8	–1,159.1	–328.2	–335.2
Total technical result (gross)	373.2	246.7	–1,294.1	–856.0
Ceded to reinsurers				
Reinsurance premiums ceded	–214.9	–230.0	–26.6	–38.1
Claims and benefits paid	77.9	164.7	6.3	11.5
Reinsurers' share of claims incurred	21.4	40.3	8.6	3.3
Change in other technical reserves	0.1	0.3	2.8	16.5
Technical expenses	20.6	22.5	1.3	1.3
Total technical result of ceded business	–94.9	–2.1	–7.6	–5.4
For own account				
Premiums earned and policy fees	3,296.1	3,513.5	4,033.7	3,253.3
Claims and benefits paid	–2,106.5	–2,173.6	–3,899.7	–3,832.8
Change in claims reserve / actuarial reserves[1]	204.9	92.7	–1,178.3	172.1
Change in other technical reserves	–20.0	–51.4	69.5	–120.0
Technical expenses	–1,096.2	–1,136.5	–326.9	–333.9
Total technical result for own account	278.2	244.7	–1,301.7	–861.4
Investment income (gross)	176.6	158.5	999.9	942.6
Realised gains and losses on investments[2]	50.8	25.2	1,925.6	459.1
Investment management expenses	–30.6	–29.4	–105.7	–102.0
Other financial expenses and income	–76.2	–96.8	–1,243.3	–156.1
Gains or losses on investments	120.7	57.6	1,576.5	1,143.6
Profit before borrowing costs and taxes	398.9	302.2	274.8	282.2
Borrowing costs	–0.4	–0.3	–10.3	–10.3
Income taxes	–34.2	–63.2	51.8	–67.6
Profit for the period (segment result)	364.3	238.7	316.3	204.3

1 Including change in reserve for claims handling costs.
2 Including financial liabilities held for trading purposes (derivative financial instruments).
3 Of which deferred gains / losses from other operating segments (31 December 2019: CHF –1.8 million; 31 December 2020: CHF –3.2 million).

Gross premiums by sector

GROSS PREMIUMS BY SECTOR (NON-LIFE)

CHF million	2019	2020	+/– %
Accident	407.7	421.1	3.3
Health	154.3	160.8	4.2
General liability	339.7	348.7	2.6
Motor	1,163.6	1,268.8	9.0
Property	1,135.2	1,238.1	9.1
Marine	194.9	208.0	6.7
Other	91.9	102.6	11.6
Inward reinsurance	54.8	54.4	– 0.7
Gross premiums written (non-life)	3,542.1	3,802.5	7.3

GROSS PREMIUMS BY SECTOR (LIFE)

CHF million	2019	2020	+/– %
Business volume generated by single premiums	3,384.1	2,595.0	– 23.3
Business volume generated by periodic premiums	2,583.7	2,529.1	– 2.1
Investment-type premiums	– 1,907.5	– 1,832.7	– 3.9
Gross premiums written (life)	4,060.3	3,291.3	– 18.9

Banking activities

PROFIT OR LOSS FROM BANKING ACTIVITIES

CHF million	2019	2020
Net interest income	75.6	75.5
Net fee and commission income [1]	78.0	66.2
Trading profit	0.1	0.1
Other net income	10.9	12.7
Total operating income	**164.6**	**154.6**
Personnel expenses	–71.2	–69.8
General and administrative expenses [1]	5.2	1.9
Total operating expenses	**–66.1**	**–67.9**
Gross profit	**98.5**	**86.7**
Net losses and impairment due to credit risk	0.3	–0.9
Depreciation, amortisation and impairment of property, plant and equipment and of intangible assets	–7.7	–6.4
Profit before borrowing costs and taxes	**91.1**	**79.4**
Borrowing costs	0.0	0.0
Income taxes	–13.5	–11.7
Profit for the period (segment result)	**77.6**	**67.8**

ADDITIONAL INFORMATION

CHF million	31.12.2019	31.12.2020
Third-party assets	10,748.6	11,758.8

ASSET ALLOCATION

CHF million	31.12.2019	31.12.2020
Investment property	–	–
Equities	11.5	15.1
Alternative financial assets	–	–
Fixed-income securities	142.6	142.5
Mortgage assets	6,505.6	6,768.9
Policy loans and other loans	167.1	184.3
Derivative financial instruments	9.8	11.9
Cash and cash equivalents	1,074.6	1,399.5
Total	**7,911.1**	**8,522.2**

1 The harmonisation of the recognition of investment administration costs caused a minor shift in the prior-year figures for general and administrative expenses and net fee and commission income.

Investment performance

2019 [1]	Fixed-income securities	Equities	Investment property	Mortgage assets, policy loans and other loans	Alternative financial assets, derivatives, cash and cash equivalents	Total
CHF million						
Current income	622.0	103.4	282.6	239.1	9.9	1,257.0
Realised gains and losses and impairment losses recognised in profit or loss (net)	– 79.5	134.1	216.9	82.6	– 17.9	336.1
Change in unrealised gains and losses recognised directly in equity	1,087.6	290.7	–	–	– 23.6	1,354.8
Investment management costs	– 50.4	– 6.1	– 12.7	– 12.8	– 7.5	– 89.5
Operating profit	1,579.7	522.1	486.7	308.9	– 39.0	2,858.4
Average investment portfolio	33,193.1	3,205.6	8,012.0	16,604.6	4,068.1	65,083.5
Performance (per cent)	4.8	16.3	6.1	1.9	– 1.0	4.4

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

2020 [1]	Fixed-income securities	Equities	Investment property	Mortgage assets, policy loans and other loans	Alternative financial assets, derivatives, cash and cash equivalents	Total
CHF million						
Current income	562.6	102.2	282.5	221.4	7.7	1,176.5
Realised gains and losses and impairment losses recognised in profit or loss (net)	100.9	– 125.1	171.0	109.3	32.2	288.3
Change in unrealised gains and losses recognised directly in equity	415.9	– 12.4	–	–	140.4	543.9
Investment management costs	– 50.2	– 6.5	– 27.5	– 14.9	– 6.7	– 105.9
Operating profit	1,029.2	– 41.8	426.0	315.8	173.6	1,902.7
Average investment portfolio	34,840.0	3,575.6	8,265.2	16,913.9	3,989.9	67,584.6
Performance (per cent)	3.0	– 1.2	5.2	1.9	4.4	2.8

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

CURRENT INCOME FROM INSURANCE [1]

	2019			2020		
	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	41.7	239.4	281.1	39.4	241.8	281.2
Equities	33.0	69.9	102.9	30.5	71.2	101.7
Alternative financial assets	1.5	9.4	10.8	1.1	7.5	8.5
Fixed-income securities	80.7	539.6	620.4	66.9	494.3	561.1
Mortgage assets	7.4	63.7	71.1	7.1	60.4	67.5
Policy loans and other loans	12.6	78.6	91.2	13.7	67.6	81.3
Cash and cash equivalents	–0.3	–0.6	–1.0	–0.2	–0.2	–0.5
Total current income	176.6	999.9	1,176.5	158.5	942.6	1,101.0

REALISED GAINS AND LOSSES IN INSURANCE [1]

	2019			2020		
	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	29.7	187.1	216.8	27.5	142.2	169.6
Equities	69.5	64.4	133.9	–36.7	–88.4	–125.1
Alternative financial assets	26.5	75.0	101.5	1.1	–9.1	–8.0
Fixed-income securities	–15.2	–64.5	–79.7	39.6	61.3	100.9
Mortgage assets	0.0	–0.2	–0.2	–0.9	0.6	–0.3
Policy loans and other loans	4.3	71.2	75.5	0.4	124.8	125.2
Derivative financial instruments	–64.0	–70.0	–134.0	–5.7	42.7	37.0
Total capital gains and losses	50.8	263.0	313.8	25.2	274.0	299.3

ASSET ALLOCATION IN INSURANCE [1]

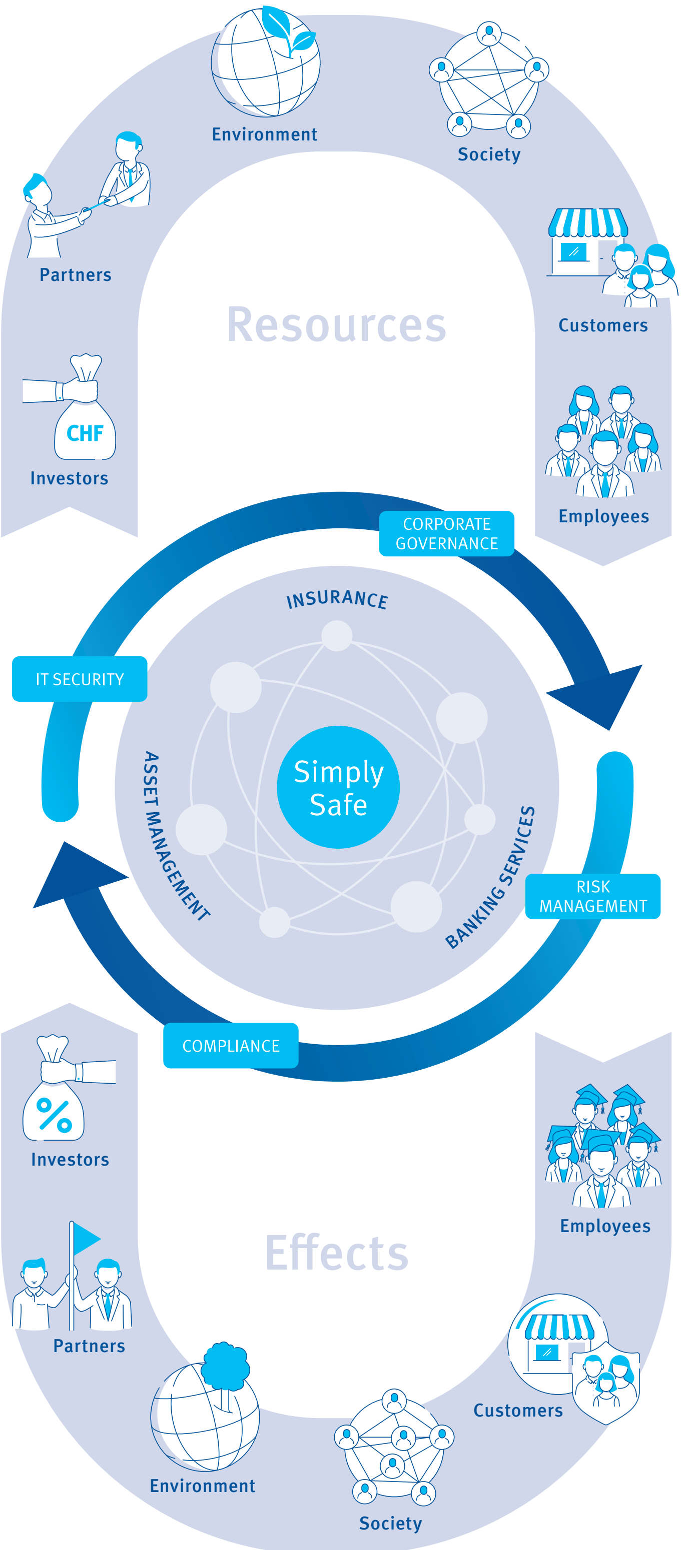
	2019			2020		
as at 31.12.	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	994.7	7,098.6	8,093.3	1,004.7	7,381.5	8,386.2
Equities	1,017.5	2,545.7	3,563.2	1,014.4	2,543.0	3,557.4
Alternative financial assets	296.5	806.3	1,102.8	225.4	686.0	911.4
Fixed-income securities	5,577.9	28,866.5	34,444.4	5,972.4	28,976.8	34,949.2
Mortgage assets	488.5	4,075.2	4,563.7	467.1	4,014.5	4,481.7
Policy loans and other loans	1,607.2	5,041.5	6,648.7	1,841.5	5,111.1	6,952.6
Derivative financial instruments	18.8	436.1	454.9	17.2	461.0	478.3
Cash and cash equivalents	395.6	841.4	1,237.0	383.5	701.2	1,084.7
Total	10,396.8	49,711.3	60,108.1	10,926.3	49,875.2	60,801.5

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

Sustainable business management

Baloise value creation model

Creating value – achieving sustainable development



Investors
Institutional and private investors and shareholders, who invest in Baloise

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

Environment
The direct natural environment at all Baloise sites and the global environment that we influence through our business decisions and activities

Society
The communities in which we operate at all Baloise sites, and the society of each country in which we operate

Customers
Retail and corporate customers at all Baloise sites

Employees
Baloise employees at all Baloise sites

Employees
Greater well-being

Customers
Increased customer satisfaction

Society
Valued member of society

Environment
Climate protection

Partners
Responsible and successful cooperation

Investors
Attractive, reliable and responsible investment

Responsibility

Taking responsibility and creating value: Baloise aligns its sustainable business management with the Baloise value creation model (see illustration on the left). This is based on the International Integrated Reporting Council (IIRC) model, but is specifically aligned with the Baloise business model, the aspects that are important to the Company and its corporate values. Corporate responsibility covers a broad range of activities and involves an equally broad range of resources – from shareholders and investors to employees and customers, partners, society and the environment around us.

STRATEGIC INTEGRATION THROUGH VALUE CREATION MODEL

Insurance companies grew out of the idea of risk sharing. The strength of a community sharing the insurance risk is that a community is more than the sum of its parts. No matter how careful an individual may be, he or she is still exposed to risks that can be better managed and mitigated by being spread – along with cost – across the community. Of course this only works if the community of insured persons is effectively and efficiently organised. This is precisely where Baloise has seen its role ever since it was founded in the 19th century: in ensuring the sustainable functioning of this community. Responsible and socially engaged behaviour is also an integral element of Baloise's Simply Safe strategy, alongside sustainable business management that takes account of the Company's stakeholders.

At the heart of Baloise's value creation model is its Simple Safe strategy, which emphasises that matters of sustainable business management cannot be viewed in isolation from the commercial management of a company. In its role as an insurance and pension provider with product and service ecosystems that cut across asset management, banking and insurance, Baloise not only looks after individuals but also protects companies, economies and communities and helps them to function properly – every day of the year. In doing so, it boosts economic and social stability in the countries where it operates. Baloise must be able to offer the sort of long-term security that cannot be sustained by the pursuit of short-term profits alone. Through the key parameters of corporate governance, compliance, information security and risk management, Baloise can make a lasting impact and, in so doing, create value for employees, customers, society as a whole, the environment, partners and investors. These stakeholders and the environment are described in the value creation model, which is based on the model of the International Integrated Reporting Council (IIRC), as resources. The newly created value benefits the aforementioned resources as well as Baloise itself and flows back into the value creation process as input in order to achieve long-term goals for sustainable development.

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

STRATEGIC INTEGRATION THROUGH COMMITMENTS IN THE AREA OF SUSTAINABILITY

At the heart of Baloise's belief is sustainable value creation, with a promise not to create value for certain individuals that causes losses to others in the process. Baloise has therefore assumed six commitments in the area of sustainability that cover all the resources in our value creation model. During the course of the next strategic phase 'Simply Safe: Season 2', which runs until 2025, these six commitments will add to the three strategic goals relating to employees, customers and investors. The baseline assessment for the relevant key figures will be carried out in 2021. Baloise will report annually on its progress in these six areas, starting in the annual report for 2022.

COMMITMENTS

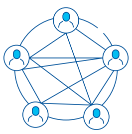
SUSTAINABLE DEVELOPMENT GOALS (SDG)

1. Employees: Greater well-being

We offer our employees an inspiring and collaborative work environment that they find motivating and that encourages their productivity and continuous development.

2. Customers: Increased customer satisfaction

We make the lives of our customers safer and simpler. In this way, we will increase customer satisfaction and support our customers in their personal and professional development.

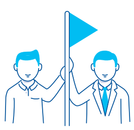


3. Society: Valued member of society

As a member of society, we are committed to social responsibility as a good corporate citizen. We offer protection, safety and security, and support (e.g. through taxes, sponsorships, donations and corporate citizenship) in normal times and during times of crisis, and aim to increase the number of employees who do voluntary work.

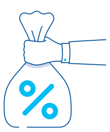
4. Environment: Climate protection

It is important to us that we continue to reduce our carbon emissions, for the sake of the environment. From 2021, 100 per cent of our electricity will come from renewable sources. In addition, we will expand and intensify our responsible approach to investment.



5. Partners: Responsible and successful collaboration

It is important to us that we are the preferred partner for brokers, agents, suppliers and business partners, such as outsourcing and innovation partners, who share our values and with whom we can convert synergies into mutual, measurable success.



6. Investors: Attractive, reliable and responsible investment

Baloise is an attractive, reliable and responsible investment. We want to further increase the generation of cash from our operating activities and pursue a transparent, balanced and value-creating strategy for the application of funds.

SDGS AND MATERIALITY

Baloise's value creation process is guided by the United Nations' sustainable development goals (SDGs). The following SDGs have been identified as material for the Company:

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

MATERIALITY ASSESSMENT

In 2020, Baloise began work on a detailed materiality assessment for the relevant aspects in the area of sustainability. This process included the following steps:

1. Sector analysis to identify relevant sector-specific topics, such as inclusion of the material topics of the SASB (Sustainability Accounting Standards Board) applicable to the insurance sector
2. Analysis of external expectations and requirements in the market in the form of relevant regulations and financial market demands, and on the basis of stakeholder meetings with investors and an employee survey
3. Listing of material topics and assessment of the materiality of the topics identified by departments as relevant to their area of responsibility within the internal sustainability network
4. Allocation of the relevant SDGs to the topics that are material to Baloise
5. Assessment of materiality by the Corporate Executive Committee
6. Assessment and review of materiality by the Board of Directors
7. Assessment of materiality by the stakeholders (employees, customers, investors and NGOs) through a structured stakeholder dialogue.

Steps 1–4 were completed in 2020.

The technical assessment by the internal sustainability network in step 3 was carried out in two phases. In the first phase, a general technical assessment was provided that had particular relevance to the impact on the business activities of Baloise. Then in the second phase, an assessment was carried out using the Future-Fit Business Benchmark* that focused heavily on the effects for the business activities of Baloise. The sustainability experts at Baloise brought these two assessments together and reviewed them. The materiality analysis will be continued in 2021 and published upon completion.

* The Future-Fit Business Benchmark is an open source tool that was developed by the Future-Fit Foundation in the UK and published in May 2016. This approach shifts the focus away from today's best practice in sustainability management and reporting and towards the practice that will be required tomorrow.

STAKEHOLDER DIALOGUE

Baloise still has no structured process for continuous dialogue with stakeholders. A plan for this process will be developed in 2021. However, a dialogue with stakeholders is carried out despite the absence of a structured process. In 2019, an employee survey was conducted on the subject of the corporate sustainability strategy. This survey will be repeated in 2021. In addition, ten individual discussions with various Baloise investors were held in 2020 on environmental, social and corporate governance (ESG) topics and the general approach to sustainability adopted by Baloise. Baloise is also an active member of the following associations and groups where it compares notes with other companies on sustainability-related matters: Swiss Sustainable Finance (SSF), Swiss Business Council for Sustainable Development (oebu), Association for Environmental Management in Banks and Insurance Companies (VfU), Principles for Sustainable Insurance (PSI), Principles for Responsible Investment (PRI), collaboration with the Swiss Insurance Association (SVV), the German Insurance Association (GDV), Assuralia in Belgium and the Association des Compagnies d'Assurances (ACA) in Luxembourg.

BALOISE ESG RATINGS

Explanations of our current ESG ratings are part of transparent sustainability communication. Data was actively supplied for the following providers of ratings in 2020:

- MSCI
- Sustainalytics
- SAM Score (Dow Jones Sustainability Index)
- ISS
- FTSE Russell (FTSE4Good Index Series)

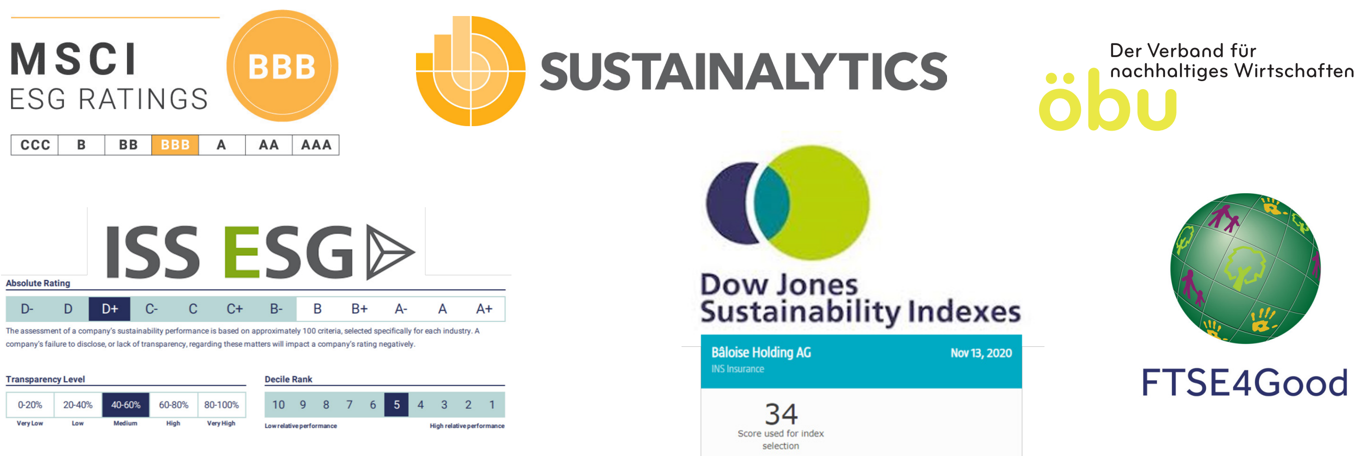
By publicising measures implemented such as the introduction of our sustainability governance, the broadening and deepening of our responsible investment approach and the renewal and expansion of our strategy for information security, we were able to improve our Sustainalytics rating by five points in 2020 from 31 (high risk) to 26 (medium risk). Our inclusion in the FTSE4Good index in 2020 also represents progress. Baloise is not involved in any controversies in the areas of environment (E), social responsibility (S) and governance (G).

Baloise has set itself the goal of continuously improving its ESG ratings. The Company will carry on using the information from its ESG ratings to continuously improve its sustainability activities. This is in line with our corporate strategy.

Baloise ESG ratings as at December 2020:

BALOISE MEMBERSHIPS

Collaboration with other companies, institutions and organisations is essential to drive sustainable development forward. That is why we support sustainable development goal (SDG) no. 17 of the United Nations (partnerships for achieving the goals), as we regard this as a fundamental requirement. After signing up to the Principles of Responsible Investment (PRI) in 2018, Baloise therefore also subscribed to the Principles of Sustainable Insurance UNEP FI PSI in 2020. Since 2020, we have also been a supporter of the Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations and a member of Swiss Sustainable Finance. As a member of the Swiss Insurance Association (SVV), we work on standards relating to sustainability for the entire Swiss insurance sector, act jointly on matters relating to regulation and share expertise relating to responsible investment and risk management. In 2020 we were actively involved in preparing the sector reporting on the subject of sustainability for the SVV.



IMPORTANT FOUNDATIONS FOR VALUE CREATION

Baloise thinks and acts on a long-term basis and prioritises high ethical standards in its management of the Company (corporate governance). It takes thorough and professional action to protect itself against new types of risk, such as cyber risk, and takes account of sustainability-related risks and climate risks in its strategic risk management (risk management), monitors compliance with laws and norms (compliance), and establishes a strategy for information security and an associated information security governance framework (information security).

Based on these four important foundations of business practice, Baloise can draw on all the resources at its disposal to generate an impact and thereby create lasting value for its stakeholders.

SUSTAINABILITY GOVERNANCE

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

In 2020, the governance process described above was applied three times for the following matters:

- Support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) with ongoing integration into the reporting process
- Improvement of selected ESG ratings with the aim of securing a ranking in the upper mid range and signing up to the Principles for Sustainable Insurance (UNEP FI PSI)
- Agreement of the six commitments in the area of sustainability

For further information on corporate governance, please refer to the separate corporate governance report on page 85 onwards of the Baloise Annual Report.

- Chapter 'Corporate governance'
www.baloise.com/corporate-governance

RISK MANAGEMENT

Based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the four TCFD categories for which disclosure is currently required – Governance, Strategy, Risk Management and Metrics & Targets – are shown below.

Governance

As described in the 'sustainability governance' section, the whole Board of Directors is responsible for monitoring climate-related risks and opportunities, together with all sustainability-related matters. The diversity and complexity of these areas requires the involvement of the entire Board of Directors with its full range of abilities and expertise. The role of management in the assessment and management of risks is described in detail in the Sustainable business management / Risk management chapter. Strategic decision-makers as well as system and process managers and specialists are involved in risk assessment within the Baloise risk management system.

Strategy

Baloise's end-to-end risk management system and the plotting of the Group-wide individual risks on the risk map according to their likelihood and expected impact are explained in the Sustainable business management / Risk management chapter. For example, the integration of sustainability risks into the Own Risk and Solvency Assessment (ORSA) ensures that the regular analyses and assessments are incorporated into the strategic risk management process.

In relation to climate protection and climate change, there are also opportunities for the sustainable development of the investment portfolio and the insurance business and for promoting innovation. The integration of sustainability criteria into the investment process – and, in future, the underwriting process – benefits the environment, society, customers and investors.

Risk management

The Sustainable business management / Risk management chapter also describes how Baloise currently identifies, assesses and manages sustainability risks and thus also climate risks. The integration of sustainability risks, including climate risks, into existing risk management processes and frameworks enables the risk management team to assess these efficiently and from different perspectives. When analysing the overall risk situation, the sustainability risks are included as a separate risk type in the area of business strategy. In addition, long-term sustainability-related trends such as social trends or environmental and climate risks are examined and evaluated as part of the analysis of emerging risks. Based on the commonly used typology, the following emerging risks have been identified:

Physical risks
- Environmental risks arising from the increasing prevalence of natural phenomena such as hurricanes, earthquakes, floods, hailstorms and wildfires

Transitional risks
- Impact of changing customer behaviour on the sales channels and product range of Baloise
- Changing working conditions resulting from technological innovations such as artificial intelligence and robotics

Liability risks
- Legal and pricing risks arising from unknown liability issues and uncertain legal situations

Metrics and targets

Material climate-related and sustainability-related risks and opportunities can be identified from the aforementioned commitments of Baloise and their connection with the sustainable development goals. With regard to climate change and climate protection, the commitment to the environment should be highlighted. The commitment to reduce CO_2 emissions in business operations and in investment can reduce physical risks and create opportunities through the sale of innovative products and services. In addition, the commitments made in relation to Baloise's customers, partners and investors help to meet the demand for the promotion of sustainable development by Baloise. Baloise can also help to increase sustainable development by other companies, by sharing information and experience with various partners on this matter. Work on developing indicators to measure the commitments is currently ongoing.

- Chapter 'Sustainable business management/ Risk management'

COMPLIANCE

Baloise regards compliance as a key element of creating sustainable value for stakeholders such as customers, partners, employees and shareholders. Compliance-related requirements have steadily increased in recent years. New regulations and tighter controls by regulatory authorities pose a challenge for the whole organisation. Our goal is to make compliance part of Baloise's DNA.

Specifically, this means having a strong compliance culture within Baloise. This is achieved firstly by raising the awareness of employees through specific instructions and regular training on matters such as data protection, money laundering, antitrust law, and bribery and corruption. At the same time, a consistent approach to violations is important in order to increase employees' awareness of ethical behaviour. Suspected violations can be reported via a number of channels, including an anonymous whistleblower platform. The procedure for dealing with reports and incidents is clearly defined. In addition, the giving and acceptance of gifts and hospitality is clearly regulated – and approval processes defined – in internal instructions and the Baloise Code of Conduct.

As part of the compliance framework, Group Compliance works with local compliance managers to develop Group-wide policies and minimum standards in accordance with a risk-based approach. The greater the business risk, the more closely the compliance team must be involved. This includes the following tasks:

Strategic tasks

- Definition of the key themes and minimum requirements in the Group Compliance Policy and the compliance controlling standards
- Early identification of possible compliance risks
- Creation of a compliance plan
- Implementation of the Group Compliance Policy and the Group compliance controlling standards
- Issuing of instructions and rules on compliance-related matters

Advice and support

- Providing advice and support to the Executive Committee in connection with its compliance responsibilities
- Central point of contact for employees for questions and reports relating to the Code of Conduct
- Regular training and provision of expert advice to employees

Scrutiny and monitoring

- Developing and monitoring appropriate compliance controls
- Expert assessment of the compliance plans and the implementation of the compliance standards
- Appropriate monitoring of adherence to the internal and external regulatory / legal provisions
- Monitoring important legal developments
- Analysis of the work processes and identification, assessment and monitoring of the existing compliance risks
- Dealing with compliance-relevant incidents

Reporting

- Separate reporting to the local Executive Committees and consolidated reporting to the Corporate Executive Committee and the Audit and Risk Committee of the Board of Directors on compliance risks and compliance controls.

www.baloise.com/compliance
www.baloise.com/compliance-controlling-standards
www.baloise.com/code-of-conduct

INFORMATION SECURITY

In an age of steadily growing cyber risks and ever more stringent data protection regulations, Baloise attaches immense importance to information security. Baloise sees information security as a key factor in the digital transformation and an essential part of being able to create value for all stakeholders and becoming the trusted choice for customers and employees who simply want to feel safe.

Specifically, it includes the development of people with security expertise within Baloise and continuously increasing employee awareness through annual training. The focus is not purely on internal company information, but also – and most importantly – on the information and data of our customers.

The establishment of an information security governance framework within Baloise ensures that the Group-wide approach to information security supports corporate governance standards.

Implementing a programme spanning several years will guarantee a structured, Group-wide approach to information security management that is business-based, risk-focused and continuously improved.

Baloise applies the following principles to its information security strategy:

Risk-based approach

- Investment in security is carried out on the basis of threats and weaknesses identified, the criticality of the data and the potential harm.

Integrated security

- When developing new solutions, security and data protection are considered from the very beginning. This is how we develop and operate secure services and platforms.

General framework for security

- The implementation of security controls is based on established practices, which enable peer-group benchmarking. Specifically, these security controls are implemented in a large number of Group-wide penetration tests where hackers help to expose security vulnerabilities so that these can be closed off. This is an established process for these tests, which ensures that measures are continuously developed and kept up to date.

IT compliance

- We understand the legal and regulatory environment in which we operate and proactively help to ensure efficient compliance.

Security culture

- Baloise cultivates a culture of personal responsibility. We promote a security-conscious culture through annual awareness training. The information security management system is audited each year as part of the information security assurance programme.

www.baloise.com/it-security

THE RESOURCES

At the heart of the value creation model are the six resources: employees, customers, investors, environment, society and partners. They are described below.

CREATING VALUE FOR EMPLOYEES

Baloise's responsibility as an employer is manifested in its strategy with a clear employee-oriented objective. The Company wants to position itself as one of the most attractive employers in its industry. To achieve this aim, it offers its staff the scope required to contribute to its success and to develop both personally and professionally. This results in satisfied employees, helping Baloise to become an employer of choice in the insurance sector. To this end, we create a working environment where the health and well-being of staff is a central concern and where equality, inclusion and diversity are top priorities.

Responsibility as an employer also includes ensuring gender pay equality. Baloise took part in a voluntary pay gap dialogue in Switzerland in 2013 / 2014 and again in 2018. On both occasions there was no significant difference in the Company's remuneration of female and male employees. In 2021, Baloise will carry out another pay gap analysis. For further details see the human resources section of this chapter.

By improving the employability of our employees, we aim not only to increase our attractiveness as an employer but also to create opportunities for economic growth by producing well-trained employees. Our attractiveness as an employer is established by means of an employee engagement survey (EES) carried out every two years. The findings are discussed both in the Executive Committee and in the individual teams. Every three months, randomly selected employees are also asked to score Baloise in terms of attractiveness. These 'pulse checks' also measure Baloise's appeal as an employer by determining what proportion of employees would recommend it as an employer.

Baloise has been fostering a participation-based corporate culture for many years and has continually developed this culture over time, building on the stable foundations put in place long ago. At Baloise in Switzerland, the concept of social partnership has a long tradition. The Company's employee commission (MAKO) was founded in 1970, i.e. long before 1993, when the Swiss federal government passed a co-determination act that gave employees the legal right to have a say in the workplace and to be given information on particular matters. To this day, the rights of the MAKO go well beyond the provisions of Swiss co-determination legislation. There is also a code of conduct, which contains the essential ethical and legal regulations that govern employees' behaviour. Across the Group, Baloise gets employees at different levels involved in shaping the working environment (see also the chapter on human resources). In doing so, Baloise secures not only its own long-term viability but also the future employability of its staff in an increasingly competitive economic environment. By giving young people their first experience in the world of work – as trainees, interns and temporary student employees – Baloise is also making an investment in the future of the Company and the employment markets of the countries in which it operates. Every year, across the Group, Baloise trains around 260 people who are at the start of their careers, which represents a proportion of trainees in the workforce of 3.4 % per cent. The value that this adds, both for these young employees and the Company, provides a solid basis for the future and enables Baloise to create new jobs and preserve existing ones.

Getting through the crisis together

During the lockdown in spring 2020, more than 95 per cent of Baloise staff worked from home. Thanks to the strong team spirit among the staff, within a short space of time tips and tricks for home working were being compiled, playlists shared, a platform set up where employees provide help to other employees on a range of topics, and virtual team coffee breaks and lunches organised. External digital campaigns communicated the feeling of community among Baloise employees to a wider online public. #BaloiseIstZuhause #AlleineZusammen

RESPONSIBLE EMPLOYER IN THE COVID-19 PANDEMIC ERA

Early on in the pandemic, Baloise set up a Covid-19 crisis management team of experts that has been closely monitoring the situation. This has enabled Baloise to take action swiftly and ensure the greatest possible level of safety for its employees at all times. The well-being of our employees has top priority at Baloise: Within days of the crisis beginning, 90 per cent of employees were working from home – in many cases before the governments in the countries concerned had officially declared a lockdown. Protective equipment, such as masks and sanitiser, was also made available. Various measures to ensure the cohesion and well-being of all employees were launched by HR and the employees themselves. These include:

- Move for Life, physical and psychological support and the digital campaign #AlleineZusammen (alone together)

Employees were encouraged to get active through digital sporting activities – some of which involved raising money to provide financial relief for local small and medium-sized businesses struggling as a result of the Covid-19 pandemic, or to support medical staff (Move for Life). As part of the Company's corporate health management, various sporting activities were offered online and tips provided for ergonomic working at home. Employees currently also have access to psychological support in the form of a hotline that offers direct contact, free of charge, to external specialists and specially trained staff.

- Equipment and protection for employees working from home

To facilitate the transition to home working, employees were provided with technical equipment such as monitors and ergonomic office furniture at low cost or free of charge, as well as insurance cover for electronic equipment and, for a limited period, for children who had to stay at home during lockdown.

- Chapter 'Sustainable business management / Human resources'

www.baloise.com/code-of-conduct

RESOURCE: EMPLOYEES
COMMITMENT: GREATER WELL-BEING

Resources for value creation:

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

Impact of value creation:

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

CREATING VALUE FOR CUSTOMERS

Customer focus is central to the Company's strategy. Baloise wants to be more than a traditional insurance company and therefore needs to take account of the wider social environment in which its customers live. One way to achieve this is to create 'ecosystems' of services that go beyond the financial services previously offered by Baloise and are positioned upstream, downstream or completely independently of the insurance product itself. They will help to make the interactions between Baloise and its customers even more positive in future. New risks (e.g. cyber risks) will be identified and made insurable, enabling Baloise to promote innovation and the social and economic development of corporate and retail clients.

Ecosystems for a fully integrated service offering that creates added value

Baloise sees its ecosystems as sociotechnical systems. This means that such a system is not based purely on technology, but also includes people and organisations and the relationships between them. However, the aim is always to create added value for all through the seamless collaboration of the participants in the ecosystem. For the customers, the service providers and the providers of the infrastructure. Thanks to the innovations of our Home and Mobility ecosystems, we offer our customers products and services that complement the existing core services (insurance, pensions and asset management) through specific solutions or offer non-captive services. Our innovation initiatives will join insurance and asset management & banking in becoming a key pillar that we hope will make a substantial contribution to the business and value of Baloise. The target is for these initiatives to be creating CHF 1 billion of value by 2025.

Home ecosystem

The Home ecosystem essentially comprises all the home & living related products and services our customers need. Movu, Switzerland's largest digital platform for home-moving services and a Baloise subsidiary, provides a one-stop solution for customers in Switzerland who are planning to move house. They can choose suitable home contents insurance at the same time as planning their move. And better still: Baloise will pay for a second move if the customer regrets the move within a few weeks. Baloise also has an equity investment in DEVIS, a Swiss marketplace where tradespeople and cleaners can offer services for inside and outside the home. And through its investment in the laundry and dry-cleaning start-up Bubble Box, Baloise can offer customers an additional carbon-neutral service. In 2020, the Home ecosystem was extended to include a collaboration with and investment in Batmaid, a digital platform for home cleaning service providers. Batmaid is a solution that enables its customers to find qualified and insured cleaners online. The company's integrated trust service registers workers and takes care of payroll taxes on behalf of its customers. The cleaning staff have the benefit of declared work and social insurance cover. Baloise also acquired a stake in start-up firm Houzy in 2020, a digital platform where home owners can make use of various online tools and checklists in order to maintain an overview of their home at all times, including any need for renovation. Houzy also enables users to integrate services provided by other partners. Customers in Switzerland thus have an ecosystem of services based around the home and living, which makes their lives considerably simpler.

But it's not only the lives of its retail customers that Baloise is simplifying with its ecosystem services. Business customers and partners also benefit. In Belgium, Baloise is investing in two start-ups – Keypoint and ImmoPass – and thereby simplifying property management and technical property inspections. Baloise and its Belgian start-up Keypoint are developing a new digital assistant that is designed to simplify the work of property managers in Belgium. The increased complexity of the responsibilities and a big increase in the number of apartment blocks in recent years have resulted in a shortage of professional property managers in Belgium. In a bid to address this, Keypoint has developed a digital platform that brings all relevant parties together and helps them to carry out property management tasks, from finding a reliable tradesman to claims management and obtaining legal advice.

In Belgium, Baloise has also invested in Walloon start-up ImmoPass, a service provider in the field of technical property inspections. Potential buyers or property management companies can use the ImmoPass system to assess the technical condition of their building in order to avoid unexpected renovation costs – for example if there are problems with damp, instability, the roof being in a poor condition or the presence of asbestos. The most recent investment in Rentio rounds off the range of Home services. Rentio digitalises, centralises and automates all aspects of the rental process. Property management companies, landlords and tenants can use the frictionless functionalities of its online platform or app to enter into contracts, monitor payments, exchange documents and sort out everyday problems such as a broken radiator or a routine boiler service.

Mobility ecosystem

Mobility is one area of our lives that has changed dramatically over recent decades. Think for example of the technological advances around self-driving cars and of changes in user behaviour – moving away from car ownership in favour of the sharing economy. Greater environmental awareness is an important aspect in these trends.

Through its own start-ups such as FRIDAY in Germany and Mobly in Belgium, Baloise is developing innovative vehicle insurance products and non-insurance services that cater to these changing needs.

The FRIDAY+ECO product developed in partnership with respected climate organisation myclimate enables FRIDAY customers to make their own contribution to climate protection by offsetting the CO_2 emitted by their cars. The climate protection projects chosen meet the highest standards (Gold Standard, CDM, Plan Vivo).

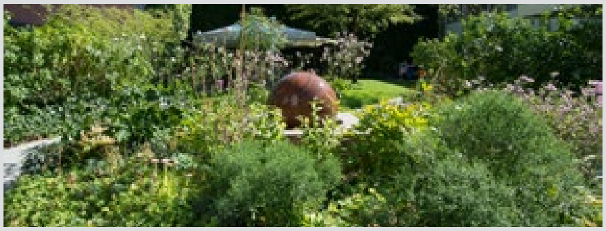
Another company in the Mobility ecosystem is aboDeinauto, which leases vehicles for a fixed monthly fee and is the first subscription provider to systematically focus on used cars. Its concept is based on close collaboration with car dealers who gain the opportunity to get involved in the rapidly growing market of car subscription services through aboDeinauto. Better use of existing vehicles also helps to conserve resources.

Another start-up concentrating on the optimum use of vehicles and eco-friendly servicing and maintenance is Ben Fleet Services. Ben offers fleet managers and operators comprehensive and flexible services for their vehicles. Its portfolio of services, which can be used for individual vehicles or entire fleets, includes on-site cleaning, refuelling and charging, maintenance and repairs, and delivery and collection. The company looks after not only cars (both conventional and electric) but also vans, buses and trains, bicycles and e-scooters. The water-free cleaning of the vehicles on site is just one example of how this service benefits the environment.

Baloise is also working with start-ups in Switzerland such as Stratos (formerly Carhelper) and gowago to extend its service offering in the Mobility ecosystem beyond insurance products. Gowago has developed the next generation of car leasing platform that enables customers to lease a new or used car simply, transparently, conveniently and at a low price without leaving the house. The partnership with Baloise means another novel benefit for customers: all vehicle costs can be bundled together with the monthly lease payment in Switzerland's first non-captive all-in-one leasing service for used cars. And to meet the growing customer demand for carbon offsets and ways to be green and protect the environment, gowago works with carbon-connect AG to reduce its carbon footprint. For each new gowago customer, five trees are planted in a developing country. The tree planting scheme provides jobs for the local population as well as making a positive contribution to combating climate change. Gowago aims to show that a young company can be environmentally responsible, even if it operates within the automotive industry.

However, mobility doesn't always have to mean cars. Through its partnership with exoskeleton manufacturer TWIICE, Baloise is demonstrating a broader understanding of the concept of mobility. TWIICE's leading exoskeleton can be used not only to revolutionise the lives of paraplegics, but also to help people retain their mobility as they get older – an aspect likely to become increasingly important in light of demographic change.

Plants, scents, and appreciation for a high quality of life
Dandelion is a dementia care centre in Basel, Switzerland, that has been a customer of Baloise for more than 20 years. The managers and staff at Dandelion care for their residents around the clock, day in, day out. Care that often goes well beyond the call of duty. Using aromatherapy and phytotherapy, they are trying to find new ways of maintaining a high quality of life for their residents, especially during the COVID-19 pandemic. This would be impossible without the staff and their incredible motivation. Showing appreciation for employees is a top priority for Dandelion – and for Baloise too.
www.baloise.com/dandelion



Baloise shares the values of its customers

Baloise has a strategy of seeking out customers who are cautious and careful, and to whom safety and security are as important as they are to Baloise. This strengthens the collective insurance community. But it is not just about providing security by covering a particular risk; it is also about giving customers everyday peace of mind. Baloise wants to do everything it can to help make customers' broader environment safer. The customers themselves also get a say, through customer forums, panels and surveys.

The opinion of our customers is important

The Net Promoter Score (NPS) survey conducted in Switzerland since 2016 actively solicits the views of end customers (retail and corporate) about their experience of Baloise. The survey is carried out automatically and immediately every time a customer has been in contact with Baloise, and randomly selected respondents are asked to rank Baloise relative to its competitors. Positive feedback is forwarded directly to the relevant employee, thereby providing additional motivation. Negative feedback is automatically sent to the employee's line manager who then contacts the customer directly. The 360° customer feedback system makes Baloise more human to the end customer and provides a very direct means of communication for customer relationship management.

It has been proven that customers who have had a negative experience become more satisfied and more loyal than ever before if their complaint is handled sensitively and courteously by Baloise. In those moments when 'it really matters', we can prove to our customers that we are a trusted partner. That is why Baloise is open and is extremely grateful to its customers for all customer feedback – good or bad.

The customer feedback is also discussed with the teams and, using the latest technology, consolidated measures are developed and implemented to improve the customer experience in a lasting way.

Safety for our customers in times of crisis

Baloise has implemented a variety of measures to ensure the safety of its customers, including during the COVID-19 pandemic, demonstrating that Baloise is always there for its customers. In addition to paying out claims worth millions of francs, Baloise has supported its stakeholders and helped them through this exceptional situation. Examples include the extension of payment periods for rent, or rent waivers, and payment holidays for insurance premiums. The support package also included free product upgrades such as free accident protection for children in Germany and Belgium for a limited period, and the free extension of employer's liability insurance for medical personnel to cover new COVID-19-related tasks. Free legal advice was provided for business customers in Germany and for retail customers with home contents insurance in Switzerland. Other examples included support for supply chains in Germany until 30 June 2020 through premium-free insurance for inhouse transport services for certain companies, as this was the only way they could get goods to their customers, and discounts on premiums in Luxembourg for certain cover for SME customers, as this sector was particularly hard hit by the COVID-19 restrictions. A publicity campaign in collaboration with existing partners enabled customers to send a selection of personal images to friends or family members, enabling them to stay in touch in spite of the enforced distance.

Energy pioneer in Upper Franconia

Münch Energie, based in Rugendorf in the Bavarian region of Upper Franconia, has been a customer of Baloise in Germany since 2007 and is rigorously driving forward the energy transition. It has been creating energy solutions with electricity generated from photovoltaic systems since 2004. Münch Energie creates custom energy concepts for companies and then builds them their very own independent power supply. Our long-standing customer thus helps to end customers' dependence on fossil fuels and contributes to the conservation of resources. Münch Energie is powered by the motivation and conviction of its employees – the mission of becoming independent from fossil energy sources is embedded in the corporate culture. The customers of Baloise are also a source of inspiration: Baloise aims to harness their conviction to achieve great things and contribute to a decent future for all.
www.baloise.com/muenchenergie

RESOURCE: RETAIL AND CORPORATE CUSTOMERS
COMMITMENT: INCREASED CUSTOMER SATISFACTION

Resources for value creation:

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

Impact of value creation:

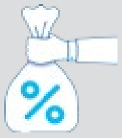
- Safer lives thanks to a strong insurance collective that continuously reinforces its resilience
- Baloise strengthens its customers' sense of security to make them feel safer and more secure in their everyday lives
- Transparent and simple insurance products that can reflect customers' social and environmental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

CREATING VALUE FOR SHAREHOLDERS AND INVESTORS

The capital that is made available to Baloise by its shareholders and investors is invested efficiently and in their interests. Risk management, which forms an integral part of our strategic management policies, makes a significant contribution to the positioning of the Baloise Group. As a European insurer with Swiss roots, Baloise possesses a strong balance sheet and strong operational profitability, which have been optimised in terms of the risk-bearing capacity and the earnings potential derived from the business. Baloise's risk management approach involves managing both risk and value at the same time. Its risk model is based on innovative standards so that it can keep its promise to shareholders and investors. This has enabled Baloise to pursue an attractive and sustainable dividend policy for a number of years now. Together with the Company's efforts in the area of sustainable development, these factors make Baloise not only an attractive and sustainable investment target but also a responsible one. Its very strong capital base was acknowledged again by the ratings agency Standard & Poor's last year, which confirmed the credit rating of 'A+' with a positive 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. The outlook for the German business unit Basler Sachversicherungs-AG was upgraded from 'stable' to 'positive' in light of its improved profitability.

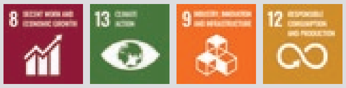
▸ Chapter 'Sustainable business management/ Risk management'
www.baloise.com/rating
www.baloise.com/risk-management
www.baloise.com/investors

RESOURCE: BALOISE'S INSTITUTIONAL AND PRIVATE INVESTORS AND SHAREHOLDERS
COMMITMENT: ATTRACTIVE, RELIABLE AND RESPONSIBLE INVESTMENT



Resources for value creation:

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



Impact of value creation:

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

CREATING VALUE FOR THE ENVIRONMENT

The environment is also a resource in our value creation model. Baloise's environmental policy focuses on promoting renewable energies, developing infrastructure in a way that adds value and taking action to combat climate change. The Company uses natural resources prudently and responsibly. This responsibility relates to its own energy requirements but also extends to its investments and the procurement of products and services. As Baloise is an insurance company, it does not produce any goods. At its sites, it predominantly requires energy for electricity and heating. Baloise also monitors the impact of travel, both business trips during working hours and journeys to and from work. CO_2 emissions have been continually reduced over a number of years. The Company's focus on energy efficiency, particularly in its IT infrastructure and buildings, plays a key part in this. Employees have the option to use public transport wherever possible and in some cases benefit from subsidised travel. They also separate their waste for recycling.

Baloise also aims to raise employees' awareness of environmental issues and provides them with information on relevant subjects in order to equip them with knowledge of possible alternative actions or practices that are environmentally sustainable.

At its headquarters in Basel in Switzerland, Baloise is a member of the 'environmental platform' initiative in the Basel region. This platform facilitates the sharing of knowledge among businesses and supports climate protection and sustainable development in the local region. Baloise also invests in sustainably built office buildings in Switzerland, Luxembourg and Belgium. The annual Group-wide environmental audit within the annual report provides information on Baloise's progress regarding its environmental footprint and has been published since 1998.

▸ Chapter: 'Sustainable business management/ The environment'

www.klimaplattform-basel.ch

Promotion of electric-powered vehicles and renewable energy

One way in which Baloise is encouraging the use of electric-powered vehicles is the gradual transition of its own vehicle fleet to electric. It also provides charging facilities for employees to use while they are at work, and for tenants at the properties it owns.

In 2020, three out of four vehicles in the Baloise Bank SoBa fleet were replaced with electric versions.

Baloise has also launched a project to promote charging infrastructure in its rental properties in order to support the 'e-Mobility roadmap 2022' of the Swiss Federal Office of Energy, whose target is for 15 per cent of all new vehicles licensed to be electric by 2022.

Within the next few years, Baloise aims to install charging stations for electric vehicles in the underground parking spaces of its properties. This will facilitate access to forward-looking modes of transport and help to reduce transport-related carbon emissions. Tenants will be able to charge their electric vehicles in their own parking space at low cost. The project is still in its early stages, having launched in 2020 with one test location at a Baloise property in Basel. In 2021, Baloise will install charging stations at additional test sites to gauge demand among its customers. As soon as the level of demand has been established, further steps will follow.

Baloise's environmental engagement encompasses support for greater use of electric-powered vehicles in conjunction with support for renewable energy. Baloise has its own charging stations at various sites, which can be used free of charge by employees and customers.

Over the course of 2020, Baloise converted its power supply to electricity from purely renewable sources at all its sites in Germany. The Company now gets all its electricity from 100 per cent renewable sources in Switzerland, Germany, Belgium and Luxembourg in the buildings where it controls its own electricity mix. For transparency, it is important to stress that this only applies to electricity. Heating energy is excluded and does not come entirely from renewable sources. The positive outcome of a feasibility study on the installation of a solar power system at the site in Bad Homburg, Germany represents a further milestone in promoting the use of renewable energy. The implementation of this solar plant will begin in 2021.

The Environment chapter contains more information on the optimisation of heating energy, further operational optimisations of the Baloise office buildings at all its sites and Baloise's environmental management.

▸ Chapter: 'Sustainable business management/ The environment'

Protecting the climate through finance flows

Baloise is committed to environmental protection and recognises its indirect influence on the environment and society through its investment policy. This is why Baloise has adopted a responsible investment (RI) policy for insurance assets and external customers' assets. The RI policy sets out the rules for the integration of environmental, social and corporate governance (ESG) criteria into Baloise's investment decisions.

More than 80 per cent of the assets are managed under the RI policy. As well as insurance assets and third-party products, this also includes alternative assets such as senior secured loans (SSL). At the end of 2020, the Company looked at including the real estate managed by Baloise. This proposal will be fleshed out and communicated in 2021. Further extensions of the RI policy are planned in the area of active ownership and a dedicated climate strategy, as Baloise is aware that carefully selected investments can indirectly help to protect the climate. To emphasise its commitment, Baloise signed up to the Principles of Responsible Investment (PRI) in 2018.

► Chapter 'Sustainable business management/ Responsible investment'

RESOURCE: ENVIRONMENT
COMMITMENT: CLIMATE PROTECTION

Inputs for value creation:

- Environmental audit since 1998
- Commitment to use natural resources in a responsible way and to reduce the carbon footprint of the business on an ongoing basis
- Climate and real-estate policy in connection with responsible investments
- Increased demand for renewable energies within our energy mix
- Signing of the Principles of Responsible Investment (PRI) in 2018

Impact of value creation:

- Reducing the carbon footprint of business activities
- Raising awareness of environmental issues and educating staff about relevant topics
- Conserving resources by reducing water consumption, energy consumption and waste
- Promoting renewable energies
- Combating climate change through responsible investment

CREATING VALUE FOR SOCIETY

Baloise believes it has a responsibility to society in its role as a corporate citizen and conducts its business activities in accordance with the relevant legal provisions and in compliance with the basic rights enshrined in the constitution of the Swiss Confederation. The approval requirement enshrined in Swiss financial markets legislation, which demands an assurance of proper business conduct, stipulates among other things that the approved institutions and their key decision-making bodies must comply with all applicable laws (statutes, regulations etc.) and have an organisation that ensures such compliance. The Swiss Financial Market Supervisory Authority (FINMA) monitors compliance with this approval requirement, which must be fulfilled at all times.

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

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

► Chapter 'Sustainable business management/ Responsible investment'

For many years, Baloise has also been a committed advocate of voluntary work. In 2015, Baloise became a signatory to the declaration by economiesuisse (the umbrella organisation representing Swiss business) and the Swiss Employers' Association. The declaration requires companies to offer flexible working conditions and working time models that enable employees to participate in voluntary work. Baloise not only encourages its employees to engage in voluntary activities by holding annual events but it also meets its own responsibility to society as a commercial organisation. Six Baloise employees in Switzerland are currently members of cantonal parliaments, and many others are involved in politics at local level. Furthermore, the Company creates and preserves jobs that add value and it pays taxes from its profits that help to fund the public sector. By generating profits, Baloise is also able to be an active partner in many areas of society. Baloise runs a number of charitable projects and initiatives in its various national subsidiaries that benefit society and the environment. These can be roughly divided into the following areas:

- Donations to community-based organisations
- Partnerships with environmental organisations
- Supporting health and education
- Innovation and safety

Donations to community-based organisations

Baloise has a long tradition of involvement in charitable causes at all its sites. Its activities are determined by local circumstances and the causes selected by our employees. In 2020, additional support was provided to various organisations across all sites to assist the broader community, particularly people in need, during the COVID-19 pandemic and its aftermath.

Moving together for a good cause

The Baloise Challenge 'Move for Life' was launched in 2020 in order to support various community-based organisations at the locations where we operate in Switzerland, Germany, Belgium and Luxembourg during the COVID-19 pandemic while at the same time strengthening the sense of belonging among Baloise employees and helping them to improve their health. By clocking up kilometres through sports activities, employees raised a total of around CHF 37,000 (approx. EUR 34,000) for good causes.

www.baloise.com/move-for-life

Other campaigns that were carried out in connection with the COVID-19 pandemic in 2020, plus activities relating to Baloise's corporate social responsibility that are unrelated to the COVID-19 pandemic and will be continued in the future:

- Baloise for Life – Baloise for Life is a week of charity activities that takes place in Belgium every year. 2020 was the event's seventh year. More than EUR 92,000 was raised and donated in full to more than 30 charitable organisations supported by the Music for Life and Viva for Life initiatives.
- Better Together Charter – An innovative way of generating leads for broker firms. Under the 'Better Together' charter, brokers promise to make a donation to charity for each lead they receive from the charitable organisation. Baloise brokers in Belgium can sign up to the charter voluntarily. Under the charter, four charitable organisations and Baloise in Belgium undertook to: invest in more than 1000 m² of nature conservation land (Natuurpunt / Natagora), conjure up 700 smiles on the faces of seriously ill children (Cliniclowns), install 15 alcohol testing stations (Emilie Leus fund) and fund holidays for ten children with burn injuries (Pinocchio). 300 insurance brokers have already signed up to the charter and are working with Baloise to achieve these targets.
- Voluntary activities carried out each year – e.g. walks with people with disabilities (JustForSmiles), supporting an animal centre in Basel, and PluSport Tag, a major sports festival for people with disabilities in Magglingen, Switzerland.
- Charity Christmas concert – In Germany, a Christmas concert for all current and former employees, along with their families and friends, has been held in Hamburg for more than 30 years. The proceeds from the event support the operations of charitable initiatives in Hamburg.

Partnerships with environmental organisations

The environment has a major impact on society and on people's well-being. That is why we support environmental organisations and actively work to protect the environment ourselves.

- UNESCO biosphere reserve Entlebuch – Each year, Baloise offers its employees the opportunity to volunteer during work time at the UNESCO biosphere reserve in Entlebuch, Switzerland.
- Tierschutz beider Basel (TBB) – Each year, Baloise employees have the opportunity to volunteer at the TBB animal rescue centre in Basel, Switzerland, in work time.
- Natuurpunt / Natagora – Baloise in Belgium provides financial support to Belgium's largest nature conservation organisation (through the mechanism of the Better Together Charter) and through volunteering by Baloise employees during their work time. The organisation works to conserve nature and biological diversity. In partnership with Natuurpunt / Natagora, Baloise offers around 20 organised walks a year for families in Flanders and Wallonia.
- Drivolution – Drivolution is a Baloise subsidiary that helps corporate clients to reduce their transport budget. Drivolution focuses on prevention in order to reduce fuel consumption and insurance costs.
- Natur&ëmwelt – In Luxembourg, Baloise has been working with the Natur&ëmwelt (nature & environment) organisation since 2015 and employees can get actively involved in its campaigns.
- etika – In 2020, Baloise Luxembourg signed a three-year partnership agreement with etika with the aim of implementing a common approach to CSR. Under the arrangement, Baloise plans to launch insurance products that take account of sustainability aspects in environmental, social and governance matters. Baloise and etika will carry out various joint awareness-raising campaigns, including the publication of newsletters and the organisation of conferences, etc.
- Volunteer Day – Since 2019, a 'volunteer day' has been held across all German locations. As part of this event, all employees are allowed to spend one full day of their work time volunteering for a social or environmental cause.

Crossing the Alps for a good cause

Three regional directors and sales partners of Baloise in Germany, Michael Gilmer, Roland Lais and Markus Messmer, crossed the Alps in eight days in summer 2020. Their mammoth hike raised EUR 13,000 for three children's charities, and the final amount raised was doubled by Baloise in Germany.
www.baloise.com/alpenueberquerung

Supporting health

Baloise's health initiatives are not restricted to the current COVID-19 crisis. In normal times too, the Company supports organisations that aim to make the lives of sick people a little more pleasant and to advance research in these areas.

- Fondation Cancer – Baloise has been helping to fund cancer screening and the scientific research work of the Fondation Cancer in Luxembourg for more than ten years.
- ALAN Maladies Rares Luxembourg – Baloise has supported the ALAN Association for Rare Diseases in Luxembourg since 2017.
- Picken Doheem & BioneXt LAB – Partnership with and support for a next-generation biomedical analysis laboratory in Luxembourg.
- Fédération Luxembourgeoise d'Athlétisme (F.L.A.) – Baloise Luxembourg also supports and sponsors the Luxembourg athletics association; a perfect way to promote sport, particularly among young people.
- CMCM – Baloise Luxembourg has been supporting Caisse Médico-Complémentaire Mutualiste (CMCM) in the area of B2B solutions for business since 2018.
- Ring gegen Krebs – We have been raising money (and making donations of our own) for children with cancer and their families in Germany for more than 30 years.
- UZA – Supporting research into immunotherapy against cancer in Belgium.
- Cliniclowns & Pinocchio – Through the Better Together Charter, Baloise in Belgium puts smiles on the faces of 700 seriously ill children (Cliniclowns) and funds holidays for ten children with burn injuries (Pinocchio).

Education, innovation and safety

Baloise firmly believes that education can prevent many ills. It can help people to help themselves out of crisis situations or enable them to avoid a crisis situation in the first place.

- ANESEC & ANELD – Partnership with networks of business and law students at the University of Luxembourg.
- Université du Luxembourg – Partnership with the University in Luxembourg in the form of scholarships offered by Baloise in Luxembourg to up to five students, and for students in their first, second or third year of a bachelor's degree in management at the university.
- University of Applied Sciences and Arts Northwestern Switzerland (FHNW) – Partnership and financial support to help with the delivery of innovation and sustainability workshops for the development of ideas with students in the north-west of Switzerland.
- Baloise Digital Scouts – The Baloise Digital Scouts aims to raise awareness across society about digitalisation. Experts from Baloise volunteer their time and offer free talks, workshops and display stands on subjects such as cyber security, smart home and media literacy for employees, parents and schoolchildren.
  www.baloise.com/digitale-pfadfinder
- Donation of IT equipment – All equipment that is not sold to employees at discounted rates is, where possible, donated to schools and charities. Baloise is thereby facilitating access to information and enabling children and young people in particular to benefit from a better and more high-tech education. In Switzerland, Baloise was involved in more than 20 donation projects in 2019 and 2020, giving away more than 300 laptops and 130 monitors to various institutions such as schools and the Basmati Association. In Belgium, more than 1,300 items of equipment – including monitors and laptops – have so far been

donated to 39 different schools and the DigitalForYouth organisation. In Germany, equipment that is no longer required is reconditioned by AfB, an organisation that provides employment for people with disabilities, and remarketed with a guarantee of up to three years. The cooperation with AfB generates great added value, as it creates jobs for people with disabilities and at the same time conserves resources. In Luxembourg, used equipment was sold to employees and the proceeds of EUR 10,000 donated in full to the ALAN organisation.

- Engage – In 2019 and 2020, Baloise in Switzerland led workshops with young people in connection with the 'Verändere die Schweiz!' (Change Switzerland) campaign organised by the Swiss Federation of Youth Parliaments. The aim of the workshops was to develop new ideas, challenge political realities and propose improvements, which are then submitted via the engage platform. Baloise will be supporting engage again in 2021.
- Spicker – Baloise in Switzerland has been supporting Spicker, the research tool for schools and higher education, since 2019. The tool is based on an open source archive for projects and academic papers and promotes networking between research and business.
- Business Weeks – Each year, Baloise supports the business weeks organised by the Basel Chamber of Commerce in Switzerland, which teach high school pupils about business and offer them a business-related learning experience through teamwork.
- InnoPrix of Baloise Bank SoBa – Every year since 1987, the Baloise Bank SoBa foundation has awarded the InnoPrix for the sustainable promotion of trade and industry in Solothurn, Switzerland. The award focuses on innovative projects that offer added economic value for the region and contribute to research and development or help new technologies to make the leap from one sector to another. In addition to the economic aspects, ideas must have a community-based benefit.
- Emilie Leus foundation – Baloise supports the 'Fonds Emilie Leus' foundation that raises awareness around the subject of driving under the influence of drugs or alcohol.

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

Selection of Baloise's sponsorship activities

Baloise also promotes the cultural diversity of society through its sponsorship activities. For example, the Company has promoted art through the Baloise Art Prize for more than 20 years. Every year, this prestigious accolade is awarded to two talented young artists at the Art Basel fair. The winning works are acquired by Baloise and donated to two museums that each mount an exhibition devoted to one of the artists. These are currently the Hamburger Bahnhof museum in Berlin and the Musée d'Art Moderne (MUDAM) in Luxembourg. In addition, Baloise maintains a long-standing collection of artworks that can be seen not only by employees but also by the public at two exhibitions in the Art Forum at the Company's headquarters. These exhibitions are changed each year.

- Chapter 'Sustainable business management/ Commitment to art'

Since 2013, Baloise has been the presenting sponsor of Baloise Session, a prestigious music festival in Basel with an intimate club-like setting in which the audience sit at tables. Baloise Session is an important cultural event that enhances the reputation of the city of Basel. In 2020, restrictions due to the COVID-19 pandemic meant that the concerts of the Baloise Session were held in the virtual format 'Baloise Session@home'. In the spring of 2020, Baloise Session presented its first livestreamed concert on Facebook with Baloise. A total of ten concerts were performed in this way. The new format was created in response to the restrictions imposed on all concert organisers in the wake of the COVID-19 outbreak. It meant the cultural event was able to go ahead despite the restrictions and Baloise was able to support the event organisers during this difficult time.

In the area of sport, Baloise has been a sponsor of the FC Basel football club for a number of years. The illustrious football club was established in 1893 and is now one of Switzerland's most successful teams.

In Belgium, Baloise is a major sponsor of cycling. The Company provides financial backing to Sport Vlaanderen-Baloise and Baloise Trek Lions, two professional cycling teams for young up-and-coming riders that concentrate on the Benelux races on the pro tour circuit and the international calendar for professional cycling teams in Europe. The teams' overriding objective is to provide professional support for talented young riders.

In Belgium, Baloise also sponsors the Baloise Belgium Tour, a racing event similar to the Tour de France but on a smaller scale, and held in Belgium. In addition to cycling, Baloise also sponsors football in Belgium. Baloise in Belgium sponsors the two well-known Belgian teams KAA Gent and Standard Liège. In the area of arts and culture, Baloise encourages cultural dialogue among the public through the Noordstarfonds in Belgium. The Noordstarfonds is a charitable organisation run by Baloise in Belgium that was established in the middle of the 20th century to promote art, culture and the Dutch language among the Flemish population. This non-profit organisation has its own concert hall, the Handelsbeurs, in Ghent. The Noordstarfonds currently focuses on promoting various music genres and creating a bridge between these genres.

In Luxembourg, Baloise signed a three-year partnership with the Skoda Tour de Luxembourg organisation in 2020 to promote cycling – a very popular sport in the Grand Duchy – at national and European level. Baloise Luxembourg is thus one of the major partners of the Skoda Tour de Luxembourg and the sponsor of the yellow jersey for the winner of the overall classification.

Since 2018, Baloise Luxembourg has been one of the main sponsors of the Rockhal, the largest concert hall in the Grand Duchy of Luxembourg.

Corporate social responsibility in the COVID-19 pandemic era

In times of crisis, Baloise shows solidarity and supports society with various campaigns, events and other activities – acting in accordance with its deeply held conviction that adversity can only be overcome together.

- Service platform now-together – The now-together platform in Switzerland offers small businesses a forum to present their goods and services while social distancing restrictions are in place. The aim of the collaboration is to support business and present a comprehensive range of offers (from restaurant vouchers to voluntary work). As a premium partner, Baloise provides financial and technical support for the platform.
- Foundation platform 'Basel schafft(s) zämme' – Baloise provides financial backing for the foundation platform 'Basel schafft(s) zämme' (Basel can do it together). The foundation of the trade and industry association supports small and mid-sized businesses in Basel with grants of up to CHF 4,000 a month.
- COVID-19 loans – In Switzerland, Baloise Bank SoBa is assuming the role of funder for the federal government's COVID-19 loans. Around 300 loans have already been granted with a total volume of CHF 30 million. The federal government assumes 100 per cent of the default risk for these loans.
- '1,000 thank yous' campaign – In connection with the '1,000 thank yous' campaign run by Baloise from 15 May to 7 June, the Company gave away 1,000 vouchers that could be used to make a purchase from a local small business in Switzerland. The vouchers were purchased directly from Baloise's SME customers and then given to private individuals who could gift it to their personal COVID-19 hero, thereby expressing appreciation and supporting a local business at the same time.
- B-Tonic Facebook campaign – During the weekly Facebook Live sessions by B-Tonic, a Baloise subsidiary in Belgium that focuses on physical and mental health, health experts are on hand to offer free tips and advice. Activities included an eight-week challenge entitled 'Strengthen your mental power'.
- 'Buffalo Challenges' and charity event with the KAA Gent football club – In Belgium, the partnership with KAA Gent football club gave rise to initiatives such as the 'Buffalo Footshake' and the 'Buffalo Block Challenge'. Baloise also sponsored a virtual football match organised by KAA Gent, in which eminent Belgian virologists took part. Spectators could donate money and the proceeds went to the Digital4Youth organisation.

- Fondation Autisme – Baloise Luxembourg supported Fondation Autisme Luxembourg by asking it to bake local specialities as gifts for its employees and its general and principal agents. Baloise has been supporting the foundation in various ways and with various campaigns for many years.

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

WEBLINKS TO THE ACTIVITIES OF THE NATIONAL COMPANIES

- Baloise Group and Switzerland
  www.baloise.com/sustainability
  www.baloise.ch/de/ueber-uns/engagement
- Belgium
  www.baloise.be/nl/over-ons/csr-en-sponsoring
- Germany
  www.basler.de/de/ueber-uns/nachhaltigkeit
- Luxembourg
  www.baloise.lu/sponsorship-engagement

RESOURCE: SOCIETY
COMMITMENT: VALUED MEMBER OF SOCIETY

Inputs for value creation:

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

Impact of value creation:

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

CREATING VALUE FOR PARTNERS

The sixth and final resource of the value creation model are partners. Baloise has a broad network of partners with which it maintains cooperative relationships. Its links with different partners, such as innovation partners, start-ups, outsourcing partners, suppliers, brokers and agents, form a network that unlocks synergies, promotes knowledge transfer and promises success through mutual benefits. In addition to partnerships in Switzerland, which mainly revolve around innovation, the Company maintains partnerships in Germany and Belgium, primarily with agents and brokers. This pooling of expertise enables Baloise to keep development times very short and quickly offer its customers new, innovative products that are tailored to their needs.

To ensure that our suppliers and outsourcing partners also comply with our sustainability principles, we integrate the approval of our vendor code of conduct by the relevant partners into our processes. The code includes provisions on conflicts of interest, gifts & hospitality, environmental aspects, procurement ethics, freedom of association, child labour, human rights, health & safety, discrimination and procedures for reporting violations.
www.baloise.com/vendor

Baloise would also like to make sustainability a more integral part of its work with innovation partners and start-ups, too. When signing up to the Principles for Responsible Investment (PRI) in 2020, innovation partner Anthemis Capital Managers Limited gave a clear commitment to sustainable development, which Baloise strongly supports. Other examples of partners that work with Baloise and actively promote sustainable development include the Switzerland start-ups TWIICE and Bubble Box.

► Chapter ‘Sustainable business management/Responsibility/Creating value for customers’

Partnership for sustainable development

The purpose of the collaboration with etika in Luxembourg is to help Baloise in Luxembourg to integrate sustainability into various areas of its business. Employees and customers receive training to raise their awareness about social and environmental issues, and products are developed that address sustainability concerns.
For Baloise, collaborating with partners in the area of sustainability is essential. Synergies and expertise can be used to drive forward the shared goal of sustainable development within society and business.
www.etika.lu/etika-kooperiert-mit-Baloise-Assurances

Partnership in times of crisis

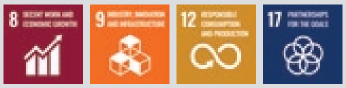
Baloise is supporting its partners during the COVID-19 pandemic by intensifying the sharing of know-how and promoting greater use of digital technologies in the consulting business, so that together they can be there for their customers during the crisis.

- Webinars for our partners – In Belgium and Germany we have been organising tutorial webinars for brokers to give them tips and advice on maintaining contact with their customer base. In Germany, online consultancy certification for sales partners working exclusively with Baloise was also expanded.
- Intensification of digital consultancy – Intensification of online consultancy certification for sales partners working exclusively with Baloise and additional webinars for brokers.

RESOURCE: INNOVATION PARTNERS, OUTSOURCING PARTNERS, SUPPLIERS, BROKERS AND AGENTS
COMMITMENT: RESPONSIBLE AND SUCCESSFUL COLLABORATION

Inputs for value creation:

- A broad network of sales partners (agents, banks, brokers), service providers, advisers and start-ups
- Start-ups founded by Baloise (e.g. FRI:DAY, Mobly) and innovation processes (e.g. F10 in Switzerland)
- Collaboration with the innovation partner Anthemis Capital Managers Limited, which has publicly committed to promote sustainable development by signing up to the PRI
- Expansion of the Home and Mobility ecosystems, whose services go beyond traditional insurance-related services



Impact of value creation:

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

UNEP FI PRINCIPLES FOR SUSTAINABLE INSURANCE (UNEP FI PSI)

The Principles for Sustainable Insurance (PSI) of the United Nations Environment Programme Finance Initiative (UNEP FI) serve as a global framework for the insurance industry to integrate environmental, social and governance aspects into business processes and identify the associated risks and opportunities. Baloise signed up to the principles in 2020.

UNEP FINANCE INITIATIVE

PSI Principles for Sustainable Insurance

"Joining the UNEP FI Principles for Sustainable Insurance Initiative strengthens our ability to create value for a decent future, as the Principles provide the entire industry with a framework to integrate environmental, social and governance aspects into the insurance business, enabling collective action and initiatives. For Baloise, joining the PSI initiative was a logical next step after signing up to the PRI, as it demonstrates our commitment to playing an active role in sustainable development."
Gert De Winter, CEO Baloise Group

OVERVIEW AND REFERENCES TO RELEVANT INFORMATION

Principle 1

We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.

- Strategic integration
  Page 37
- Our commitments
  Page 38
- Materiality analysis
  Page 39
- Important foundations for value creation
  Page 41
- Creating value for employees, customers, investors, environment, society and partners
  Page 44–60
- Responsible investment
  Page 62–64
- Human resources
  Page 66–71
- The environment
  Page 72–76
- Risk management
  Page 77–79

Principle 2

We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

- Baloise memberships
  Page 40
- Creating value for customers
  Page 46–49
- Creating value for partners
  Page 59–60
- Creating value for society
  Page 53–58
- Responsible investment
  Page 62–64
- See also:
  www.baloise.com/vendor

Principle 3

We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

- Baloise memberships
  Page 40
- Stakeholder dialogue
  Page 39
- Risk management
  Page 77–79
- Responsible investment
  Page 62–64

Principle 4

We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

- Baloise memberships
  Page 40
- Stakeholder dialogue
  Page 39
- Annual reports:
  www.baloise.com/annual-report
- Website:
  www.baloise.com/sustainability
- Blog posts:
  www.baloise.com/media
- PRI transparency report Baloise Asset Management[1]

[1] www.unpri.org/signatory-directory/baloise-asset-management/3718.article

Responsible investment
Investing sustainably: steady expansion of the Baloise responsible investment strategy

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

With its responsible investment (RI) policy, the asset management team plays an important role in sustainable value creation for the Baloise Group. It is important that assets are managed in a forward-looking way with a clear focus on the risk-return profile, and also responsibly in the interests of all stakeholders.

In 2020, the asset management team made great progress in the area of responsible investing. As of 1 January 2020, the RI policy now applies to all self-managed products for external customers, for senior secured loans (SSL) and for the selection of third-party funds. The RI policy has also been extended to cover real estate investments. The roll-out of the RI policy for the insurance portfolio that began in 2019 has been steadily continued.

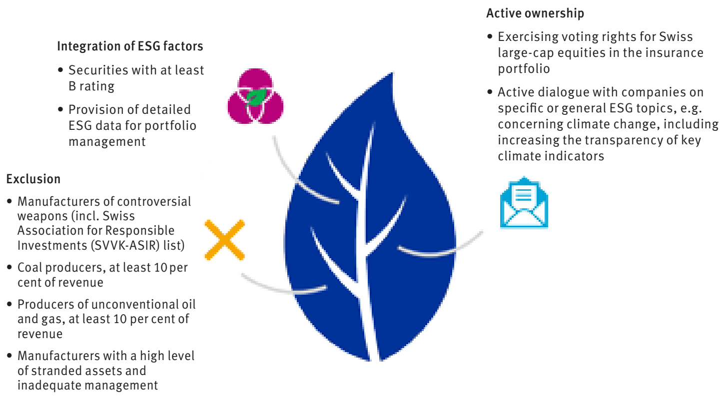
As an asset manager with a long-term perspective, Baloise is confident that integrating environmental, social and corporate governance (ESG) criteria into the investment process will have a positive impact on the risk / return profile. It will also enable Baloise to reduce ESG risks that have an adverse financial impact. On this basis, we regard the integration of ESG criteria as an additional risk management instrument. We want to manage long-term climate risks and make a positive contribution to the transformation process. With regard to the United Nations' sustainable development goals, we are therefore focusing primarily on climate protection, i.e. sustainable development goal no. 13 (climate action). Baloise Asset Management will therefore be launching a detailed climate strategy in 2021. As both an owner and manager of assets, we also aim to generate long-term, sustainable returns as part of our active ownership approach, and at the same time have a positive impact on the environment and on society.

OUR APPROACH TO RESPONSIBLE INVESTING

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

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

Baloise responsible investment policy



* This illustration includes the launch of the climate strategy on 1 February 2021 and the launch of the active ownership strategy on 1 March 2021.

1. Exclusion: We may exclude companies from the investment universe. Companies can be excluded if they pursue business activities that are linked to controversial weapons or if they are involved in the coal industry (at least 10 per cent of total revenue). We also exclude producers of unconventional oil and gas (at least 10 per cent of total revenue) and producers with a high level of stranded assets, i.e. with large reserves of oil and gas, coupled with inadequate management.

2. Integration: We integrate sustainability factors into our investment analysis by requiring companies to have at least a B rating (according to MSCI data) for inclusion in the investment universe. We also provide our portfolio managers with detailed ESG information so that they can factor these aspects into their investment decisions.

3. Active ownership:
- Proxy voting: We exercise our voting rights for Swiss large-cap equities in the insurance portfolio.
- Engagement: As part of our active ownership policy, we engage in dialogue either directly with companies or with the public sector via our membership of various industry associations (e.g. PRI, SSV, AMAS, SSF) to discuss specific or general ESG topics.

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

Signatory of:

PRI Principles for Responsible Investment

Swiss Sustainable Finance

RESPONSIBLE REAL ESTATE MANAGEMENT

Baloise is one of the biggest property owners in Switzerland. As a responsible investor, we see a close link between sustainable property investment and long-term returns. To benefit our policyholders and investors, we work with responsible property management companies to secure our profitability for the long term and increase the value of our properties.

In order to optimise the energy efficiency of our property portfolio, we make every effort to reduce energy consumption, primarily by refurbishing and replacing older buildings as well as acquiring additional properties, portfolios and new construction projects. Our tenants benefit from lower running costs. This can help to retain existing tenants and attract new ones.

Our investment decisions factor in financial objectives, environmental considerations and challenges facing society. We aim to achieve certification for new construction projects, while refurbishments are examined on a case-by-case basis. The consumption figures (energy and water consumption) for the properties are systematically collected and analysed. Using the Swiss cantonal energy certificate for buildings (GEAK), the energy efficiency for each property is calculated and used as a basis to make specific improvements.

For the Baloise Swiss Property Fund (BSPF), for example, an energy reduction plan was drawn up with the support of Wüest Partner AG. The asset management team will use this analysis to develop and build on a future-focused and profitable sustainability strategy for the BSPF.

ROBUST RESPONSIBLE INVESTMENT GOVERNANCE

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

The sustainability strategy of Baloise Asset Management is closely tied to the strategy of the Baloise Group. The head of Responsible Investment is part of the Group sustainability network and the Group responsibility officer is a member of the RIC.

THE NEXT STEPS IN 2021

Baloise Asset Management will continue to press ahead with the development of its sustainable investment strategy. It recognises and very much welcomes the current trend for responsible investment and is well placed to benefit from it.

Firstly, it will intensify its current approach. On 1 February 2021, the detailed Baloise Asset Management climate strategy came into effect. Under the new strategy, a positive contribution to climate change is made by reducing the negative impact on society and the environment, while the risks arising in connection with climate change are managed prudently in the portfolio. In addition, opportunities created by the shift to clean energy are identified and used in a profitable and forward-looking manner. An active ownership approach will be introduced on 1 March 2021 in order to leverage financial power so as to manage ESG risks more effectively while making a positive impact on society and the environment.

Baloise is working hard to increase transparency for its customers, which includes implementing the requirements of the European regulatory authority. Baloise aims to be well prepared to meet the needs of its customers.

www.baloise-asset-management.com/responsible-investment

Baloise responsible investment guidelines

- Responsible investing requires concerted action. Since 2018, we have been a signatory of the six Principles for Responsible Investment (PRI).
- In investment analysis, a long-term holistic investment horizon is essential for a positive risk / return profile. That is why we integrate environmental, social and corporate governance factors into the investment process.
- Existing investments are reviewed at regular intervals to ensure compliance with the responsible investment rules across the different insurance business units.
- We take our responsibility as an investor seriously. We exercise our voting rights in respect of Swiss shares on the basis of the principles of good and ethically sound corporate governance. And we proactively engage in dialogue with companies on specific sustainability-related matters.
- We report on our activities in a transparent and proactive manner.

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On the way to becoming a top employer

Having made it into the top 10 per cent of European employers in the financial sector, Baloise is well on track to achieving one of its core objectives. The aim for 2021 is to maintain this high standard. We still see culture, sustainability and the ability to adapt in an era of continuous change as key drivers.

WE BELIEVE THAT HAPPY EMPLOYEES LEAD TO HAPPY CUSTOMERS

Our employees are part of our identity. Their effort, motivation and expertise are at the heart of our unique Baloise culture. That's why we, as an employer, make every effort to improve job satisfaction by offering an inspiring and motivating work environment. The Baloise Code introduced in 2017 underlines the responsibility of every individual to play their part in creating this environment.

The Baloise Code

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

We firmly believe that our exceptional way of working together is reflected in the commitment of our employees and therefore also has an impact on our customers. Following this logic, decisions made in Human Resources throughout the Group directly affect our workforce and thus indirectly also affect customer relations.

FINDING AND KEEPING SKILLED WORKERS

The belief that 'Happy employees lead to happy customers and partners' is deeply ingrained at Baloise. It is a feeling that employees bring with them or internalise, that they demonstrate through their actions and spread virally. We believe in leading by example rather than ruling by command – in role models who can inspire others and naturally infect them with the Baloise feeling. It is a shared understanding of a way of working together that helps us to collaborate in a more committed and contented way and ultimately makes us more customer-friendly. Baloise is undergoing a transformation, a rethinking of the working environment in which everyone learns with and from one another. It is a journey for everyone across all hierarchies and age groups. We feel that this is sustainable. Change is permanent nowadays. It is the responsibility of the Company and of every individual employee to constantly develop and learn.

KEY PERFORMANCE INDICATORS

- 7,693 employees (2019: 7,646)
- 44.1 per cent of all employees are women (2019: 42.9 per cent)
- The Baloise Group employs 262 apprentices, trainees, interns and student interns (2019: 281)
- 70 per cent of eligible staff members working in our main market of Switzerland took part in our employee share plan (2019: 67 per cent)
- 12.1 years is the average time employees stay at Baloise
- Staff turnover as at 31 December 2020 amounted to 6.1 per cent (end of 2019: 6.3 per cent)
- In the most recent employee survey, the proportion who would recommend Baloise as an employer was 86 per cent

LEARNING ORGANISATION

Growth through continuous dialogue

Just as the world is constantly changing, so too are Baloise and its employees. The will to embrace change is firmly anchored within the Company. Baloise takes its corporate responsibility seriously and is in the process of creating a learning environment in which people can develop and grow – both professionally and personally. We believe in individual responsibility within a working environment where learning is intrinsic and fun. Development programmes are available to anyone, regardless of position or level. They are equally open to trainees and students or the CEO, to full time staff and those working part time. Some departments have already begun to drive forward their individual and team development with the help of development coaches they have selected themselves.

New skills for the future

We live in a working world that is strongly driven by digitalisation and where the demands for professional and personal development are accelerating rapidly. Future survival in this job market will demand breadth as well as specialisation, and the development of our skill sets will be an ongoing task.

With this in mind, Baloise is fostering continuous dialogue, where managers and employees or teams come together at regular intervals to discuss aspects of learning and development. This makes it possible to respond to change on an ad hoc basis – not just at the end of a year – and to adapt targets as and when necessary. This forward-looking initiative is supported by the introduction of new overarching Baloise competencies which provide a basis for these dialogues.

Baloise competencies

The Baloise competencies are overarching and relevant to all employees, regardless of role

Learning	Description
Demonstrate an inquiring mind	The ability to question the status quo, see things from a new perspective and thus drive forward innovation and change in an unfamiliar environment
Grow through reflection	The ability to take a bird’s eye view and learn by reflecting on one’s own actions
Help others to develop	The ability to reinforce and contribute to the development of others
Develop digital skills	The ability to work effectively and interact in today’s digital world
Collaboration	**Description**
Make sense of things	The ability to communicate content and to back up suggestions with clear and logical explanations
Collaborate effectively	The ability to work constructively in teams with allocated roles and responsibilities, in order to achieve results on the basis of the principle: ‘Together we are strong’
Network	**Description**
Lead by example in matters of integrity and trust	The ability to act in accordance with the Company’s values, guided by an inner moral compass, and in particular to show personal integrity and develop relationships based on trust
Promote diversity through dialogue	The ability to listen, take the initiative and translate differences (points of view, emotions) into values
Take responsibility	**Description**
Accept responsibility	The ability to take responsibility for one’s own work and one’s own personal development
Focus on results	The ability to perform well without supervision, especially in dealings with customers

Development demands individual responsibility

Ongoing dialogue helps bring interests and needs into focus, especially for the employees themselves: What do I want to learn? What do I want to become? How can I work better with others and share my knowledge? Baloise also supports its employees with the introduction of time dedicated to learning at its Swiss offices, and provides them with self-service educational opportunities via the LinkedIn Learning platform. These measures are based on the firm belief that everyone has an intrinsic desire to learn. Baloise creates the structures within which continuing professional development is a permanent and natural part of the working day – as well as being enjoyable.

LEARNING OPPORTUNITIES@BALOISE

LinkedIn Learning

The LinkedIn Learning platform has more than 15,000 video courses by leading industry experts that employees can use to explore new areas or develop existing expertise, choosing areas that interest them. Since its introduction in March 2020, employees across the Group have spent a total of more than 4,000 hours on the platform.

LinkedIn Learning performance in 2020

Content			
17,209 courses viewed	**2,291** courses completed	**89,553** videos viewed	**74,886** videos completed
User actions			
4,003 hours in total	**2,796** logged-in users	**2,067** users of this content	**1 hour, 56 mins.** average time spent per user

'Learning with others' | Feedback discussions, development dialogues and mentoring

Being able to discuss development on an ongoing basis with a chosen partner or manager enables employees to respond quickly and specifically to change. In a disruptive world of work, this permanent opportunity to meet, talk and compare notes with others enables staff to regularly review and adjust their goals.

'Learning on the job' in the form of shadowing and changes of perspective

Watching colleagues at work for a day as part of a shadowing arrangement, or working alongside them for a period ranging from a couple of months to two years: internal job rotation throughout the whole Baloise Group equips employees better and more broadly for a future where no one knows what jobs and skills will be in demand. This type of collaboration between teams and departments also increases transparency, expands the pool of shared knowledge and allows people to see the bigger picture.

Covid-19 effect: Digital learning accelerator

The Covid-19 crisis highlighted the rapid development of digital skills as a key issue. Within a short period, various courses and learning opportunities were put in place for employees and managers covering subjects such as 'managing remotely'. The existing leadership development programmes – which were already comprehensive for the current size of our company – were rapidly adapted so that they could be delivered digitally. For the digital workplace too, the focus was on the introduction of the new collaboration infrastructure Office 365 and giving employees the skills they needed to use it. A new strategic HR project was launched in connection with the 'New Working' strategy, defining a shared framework for how to manage remote working.

As the results of the 2020 employee survey (carried out every two years across the Group) show, employees were highly appreciative of the measures put in place in this regard during the crisis. Communication formats such as the Company's own 'Baloise ist zu Hause' (At home with Baloise) podcast, technology tips and blogs, and a forum that allowed employees to share pictures of themselves working from home proved very helpful in providing mutual emotional support.

Leadership programme: 'Baloise Campus' 2020

Every year since 2013, Baloise has invested a great deal of effort in a comprehensive Group-wide leadership development programme aimed at driving forward the evolution of its management culture.

- **Participants in 2020: 156**
- **Proportion of female participants: 31 per cent**
- **Programmes: 8 (offered in German, English and French)**
- **Days: 50**

Feedback from participants:
"Learning to understand yourself and others better can help to avoid conflict. We take responsibility for one another. I approach challenging interpersonal matters with my team in a different way now."

"Since the Baloise Campus, I have found more self-confidence, courage and the will to accept managerial responsibility and to take the next steps on my learning journey."

Promoting diversity: learning from one another

Diversity is a natural driver of the kind of learning organisation Baloise aims to be. Employees from all age groups, genders, cultures, sexual orientation and views make the Company a diverse place. Different personalities bring a variety of perspectives into our day-to-day operations which leads to better results. Because employees are encouraged by the Baloise Code to contribute their ideas and formulate their opinions in a constructive and respectful way, an atmosphere is created in which everyone can learn from one another – to the ultimate benefit of our customers. Any friction in the collaboration produces learning opportunities, and mistakes lead to new insights and improvement.

COMMITMENT TO THE ADVANCEMENT OF WOMEN

Because the current situation is unsatisfactory, particularly with regard to gender diversity on the executive bodies, Baloise is committed to the advancement of women. In 2020, the Corporate Executive Committee decided that in future, one third of all promotions and new recruits each year should be women. The decision to consciously look for female candidates when it comes to promotions will lead to a greater balance within the Company. Mixed teams come up with better solutions and create a better working environment, which has a positive impact on customer satisfaction and thus also on the bottom line. The proportion of women in the upper tiers will be significantly increased in future.

> "The focus should be on the personality and the capabilities of an individual, and the extent to which they can empower their teams. I simply want to get more of a sense of the different influences – i.e. more of the diversity." (Andreas Burckhardt, Chairman of the Board of Directors)

DATA-DRIVEN ORGANISATION: MEASURE THE THINGS THAT MATTER

The people-centred culture and HR work of Baloise is carried out in tandem with analytical methods. True to the philosophy 'Data for people, not people for data', Baloise aims to measure the engagement of jobseekers at the key touchpoints: when they first see the job ad, just after they have applied, and after the final job offer or rejection. Gathering feedback provides us with information that enables us to find out the expectations of candidates at an early stage, to act in a customer-focused way, and to respond swiftly and with the minimum of complication. Targeted A / B tests using job adverts – for example with a focus on women – help us to target the right candidates with the right language and deploy the right arguments to win them over.

FOCUSED TARGETING OF WOMEN IN EMPLOYER MARKETING

What effect do pictures featuring typical male protagonists have in job ads? What words in a recruitment ad subconsciously make a potential applicant think that the company is looking for a man? How many requirements can an advert list before a job-seeking female loses the courage to apply? All these factors have been examined, based on actual data. Baloise uses the findings to make its job adverts more female-friendly. We have sharpened our awareness so that we do not unconsciously exclude women from the recruitment process – through a poor choice of wording in an advert, for example. By attracting more women into the job market, especially in the still male-dominated fintech sector, Baloise will find more diversity and thus also more quality.

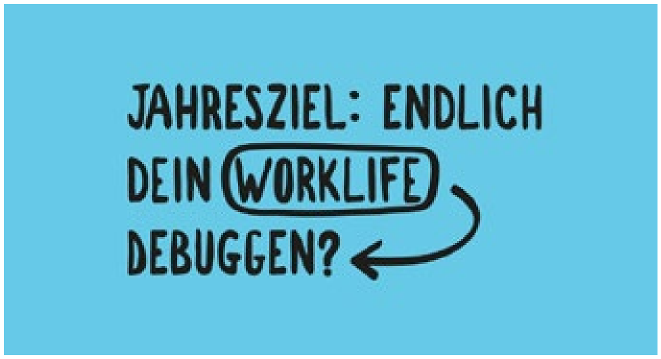
Be yourself. But don’t stay as you are. Employer campaign, target group: Women@Sales

BALOISE CULTURE
RIPPLING INWARDS AND OUTWARDS

We have a certain employer pride and an awareness that we have something special. That’s why our Employer Branding & Experience team is constantly creating content (blog articles, career websites, videos, podcasts) to provide information about what’s going on in the Company and the people who work here. Internally, these stories create a feeling of loyalty, pride and identification. They disseminate knowledge and create transparency. In keeping with the motto “Do good and talk about it” or “Admit your mistakes and share what you learned from them”, an entire organisation grows together by learning from one another. Externally, the employer brand is strengthened: employees exert a ‘multiplier effect’ in respect of our culture, and our employer marketing activities help us to attract the right highly motivated, talented people who will embrace the Baloise feeling and help it grow.

#WORKLIFEBALOISE: WE QUESTION THE WORLD OF WORK EMPLOYER BRANDING CAMPAIGN: ‘WE ARE WHO WE ARE, AND WE ARE LEARNING.’

The Employer Branding and Experience team uses a variety of marketing tools to communicate the Baloise culture to the outside world. The umbrella branding campaign that was launched in 2019 under the hashtag #worklifebaloise focused in 2020 on the most important target groups for employer marketing: IT, customer advice and trainees. The online campaign dispels a number of myths and clichés relating to banking / insurance and presents Baloise as it is: an employer that is evolving, questioning the world of work and surprising people with a fresh and innovative mindset.



Be yourself. But don’t stay as you are. Employer campaign, target group: IT

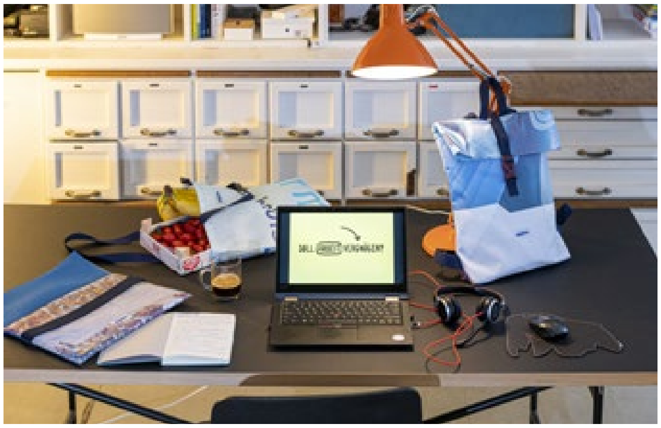
CULTURAL PRIDE: FROM BALOISE, FOR SOCIETY

Being a Baloisian is a way of life that links work and home life in a way that feels very natural. People are what makes the Company what it is. Every individual brings their own personality to the Company and enriches it in their own unique way.

It is this feeling of pride that gave rise to the Baloise hoodie with its #worklifebaloise slogan. A visual commitment to the employer.

Baloise amateur brewers have brewed a special Baloise beer for the workforce and fans of the Baloise culture.
www.baloise.com/de/home/ueber-uns/baloise-bier

At a company event, giant canvases that would otherwise have gone to landfill were able to be rescued and recycled. They were used to make bags: one-of-a-kind items that symbolise our commitment to sustainability. The proceeds from the bags are donated to good causes.



'FRIENDLY WORKSPACE' FOR THE FOURTH TIME IN A ROW

We stand out in the market for our values-driven culture, working environment and a focus on development that is based on fair pay. Whether in normal times or during a crisis, the way we work is shaped by a high degree of flexibility, personal responsibility and decision-making freedom. Our recent recertification as a 'Friendly Workspace' is evidence of a special, living Baloise culture. We were awarded the quality mark for the fourth time in succession in 2020 by the Swiss Health Promotion Foundation – scoring 4.83 out of a possible 5 points! The award recognises organisations that successfully implement their corporate health management (CHM) and systematically work to ensure good working conditions for their employees.

FRIENDLY WORK SPACE

HEALTH IS OUR MOST VALUABLE ASSET

Of course the health of our employees is a valuable asset at all times, not just when they are working from home in the midst of a crisis. However, the Covid-19 crisis has shown even more clearly how we need to work together to look after everyone's health. In addition to the promotion of physical health through ergonomic training, sports activities, healthy eating, health tips, and various workshops, courses and assessments, good overall health also requires us to look after our mental health. This creates value not just for employees but also – through their performance – for our customers, partners, and investors.

Careers website:
www.baloise.com/jobs

Careers blog:
www.baloise.com/karriereblog

Facebook:
www.facebook.com/baloisegroup

YouTube:
www.youtube.com/baloisegroup

Instagram:
www.instagram.com/baloisejobs

LinkedIn:
www.linkedin.com/company/baloisegroup

Twitter:
www.twitter.com/baloise_jobs

Environmental mission statement

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

PRINCIPLE

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

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

EMPLOYEES AND THE PUBLIC

Baloise trains its employees with regard to environmental matters and raises their awareness of the relevant issues. Its employees are aware of the ecological targets and the most important initiatives for achieving them. They are kept regularly informed about the implementation of the environmental mission statement and encouraged to suggest measures of their own. Regular employee surveys are part of an active dialogue with employees on various sustainability-related matters.

During 'Baloise Week', a week of strategising that took place in October 2020, one day was devoted to the topic of sustainability – with a particular focus on environmental responsibility. Employees were brought up to date with the latest developments in this area and were given tips for a more sustainable lifestyle. Baloise works hand in hand with other companies, organisations and public authorities across all countries in which it is active to find solutions to environmental problems. In Luxembourg, Baloise teamed up with etika, an association for alternative financing that provides advice to business on sustainability issues, raising employee awareness and developing sustainable products. Baloise particularly encourages the sharing of information within the sector through memberships in insurance associations such as the Swiss Insurance Association (SVV), the German Insurance Association (GDV), Assuralia in Belgium and the Association des Compagnies d'Assurances (ACA) in Luxembourg. It maintains an open dialogue with the public and regularly reports on environmental projects and what has been achieved. The environmental audit is presented on page 76.

ENVIRONMENTAL FOOTPRINT

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

- Chapter 'Sustainable business management / Responsibility'

www.baloise.com/vendor

PRODUCTS AND SERVICES

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

ORGANISATION

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

Protecting the environment over the long term

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

CONTINUOUS REDUCTION OF CO_2 EMISSIONS SINCE 2000

Climate change is the challenge of the century. Since the 1997 Kyoto conference in Japan, Baloise has been publishing key figures on energy and resource consumption, documenting sustainability measures in its annual report, and calculating its absolute and relative CO_2 emissions in accordance with the directives issued by the Association for Environmental Management and Sustainability in Financial Institutions (VfU). The 2015 Paris Agreement, the successor to the Kyoto Protocol, has spurred the Company on in its ambition, and future measures will be based on the Paris objectives and the UN's sustainable development goals. Both absolute and relative CO_2 emissions have been reduced massively at Baloise since the year 2000. Over this period, Baloise has cut absolute CO_2 emissions from 53,580 tonnes to 13,731 tonnes in 2019. This is equivalent to a 74.4 per cent reduction in CO_2 emissions, while emissions per employee fell by 38 per cent over the same period, from 4 tonnes to 2.5 tonnes.

THE COVID-19 PANDEMIC IS CHANGING THE WAY WE WORK

The outbreak of the Covid-19 pandemic meant the vast majority of companies were forced to get to grips with new ways of working and, in particular, the switch to home working. For Baloise, working from home was not new, but the scale on which it suddenly had to be implemented certainly was. Within days of the crisis beginning, 90 per cent of employees were working from home – in many cases before the governments in the countries concerned had officially declared a lockdown. In total, Baloise employees worked well over three-quarters of a million days from home in 2020.

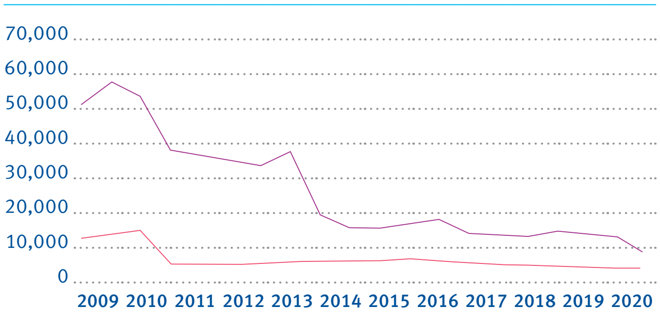
MILESTONES FOR LONG-TERM EMISSIONS REDUCTIONS IN 2020

In 2020, the focus was on the optimisation of building technology and business processes at all locations. This required a significant amount of capital investment. The refurbishment of the 'Phoenix' building in Belgium, the positive outcome of a feasibility study for the installation of solar panels at the Bad Homburg site in Germany and, in Switzerland, the completion and occupation of the Baloise Park buildings in Basel were particular highlights.

COMPLETION OF THE NEW BUILDING AND OPTIMISED OPERATIONS AT THE SWISS OFFICES

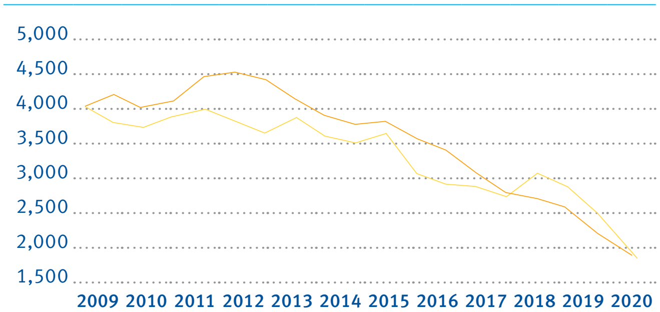
At the end of 2020, the Baloise Park project with its three new buildings on the site of the Baloise headquarters in Basel was

TOTAL CO_2 EMISSIONS IN TONNES



- CO_2 emissions for the Group
- CO_2 emissions in Switzerland

CO_2 EMISSIONS PER EMPLOYEE IN KILOGRAMMES



- CO_2 emissions for the Group
- CO_2 emissions in Switzerland

completed and staff were able to move in. The three buildings that had been used temporarily during the construction of Baloise Park were vacated in late 2020. With its three modern blocks, Baloise Park will be the defining landmark of the train station district and reflect Baloise's commitment to the city of Basel. Baloise based its designs for the buildings on the standards for sustainable construction in Switzerland (SNBS), which means it comfortably exceeded the legal requirements in terms of energy efficiency. An ultra-efficient energy centre will provide power for all three buildings, which will be heated by 100 per cent renewable district heating. The Baloise headquarters now has state-of-the-art office infrastructure and offers employees an excellent working environment that promotes health and well-being, with rooms to carry out corporate health management activities, various communication zones, relaxation areas and changing rooms with showers.

In addition to the completion of the Baloise Park project, 22 energy efficiency measures were developed for the headquarters of the Swiss business in Basel in partnership with electricity supplier IWB, as part of a cantonal target agreement. These measures will reduce electricity consumption by around 7.7 per cent over the next eight years. In 2020, the following measures had already been implemented in the form of further operational optimisations:

- Speed regulators on various ventilation motors.
- Drive replacement with frequency converters on various ventilation motors.

For 2021, there are plans to introduce variable control for the air volumes for some of the office areas and to replace the steam generation system.

Work on upgrading the staff restaurant at the Baloise head office in Basel began in 2019, with the aim of utilising space more effectively and increasing energy efficiency. The project was completed in 2020. The restaurant is now open to employees all day. The focus on sustainability in the sense of a sustainable diet and sustainable sourcing through local, regional, seasonal, nutritious and healthy food has been strengthened and the restaurant now makes its own pasta, baked goods and other products.

www.baloisepark.ch

MORE ELECTRIC-POWERED VEHICLES

Since 2015, Baloise customers and employees have been able to charge their electric vehicles in Basel, and in Zurich since 2016, using solar power. The facility, which does not cost anything to use, has proved very popular. As have the eco-friendly electric bikes, which are used by the Company's loss assessors to get to local incidents. In 2021, cars that were due for replacement at Baloise Bank SoBa, which operates in Switzerland, were replaced with electric vehicles. To make it easier for our customers to switch to electric vehicles, a project was set up to install more charging infrastructure at Baloise properties. The Responsibility / Creating Value for the Environment chapter contains more information on this project.

- Chapter 'Sustainable business management / Responsibility'

NEW SITE AND SYSTEMATIC WASTE SEPARATION IN LUXEMBOURG

In Luxembourg, work on planning a new building continued apace. The new office building in Leudelingen will be the first in the country to be made entirely of wood. The wood used in the building, which has been given the name Wooden, is sourced exclusively from sustainably managed forests in Luxembourg. The wood design will be less dusty and noisy to construct, making the build less disruptive. It is made of prefabricated elements and is 40 per cent lighter than concrete, which significantly reduces the number of lorries needed to transport the elements to the construction site.

The building will be equipped with a photovoltaic (PV) system and aims to achieve a BREEAM Excellent rating. This certification system assesses the environmental and sociocultural aspects of a building's sustainability performance. In addition to its structural qualities, Wooden will also be the second building in Luxembourg to take part in the WELL Building Standard® certification process. Unlike similar schemes in the construction sector, the focus here is on the residents. WELL looks at ten areas that enable a holistic approach to well-being in and around the building: air, water, food, light, physical activity, temperature, noise, materials, mind and community. The new office building will be easier to get to on public transport, which will help to further reduce indirect CO_2 emissions. The building should be ready to move into in 2022.

www.baloise.lu/wooden

LOW-CARBON TRANSPORT AND REFURBISHMENT AT THE SITE IN BELGIUM

The Baloise 'Phoenix' building in Brussels, Belgium, which contains over 17,000 m² of office space, was extensively refurbished in 2020. The main focus of the upgrade was on achieving the European energy standard ISO 20121. These standards apply to refurbishments of existing non-residential buildings that require next to no external energy sources (zero-energy building). Baloise occupies three floors of this building itself.

In addition, a new and more eco-conscious car policy is being developed at Baloise Belgium, which will be signed off by the Board of Directors in early 2021.

REDUCTION OF RESOURCE CONSUMPTION IN GERMANY

On 17 September 2020, Baloise's German offices took part in 'Earth Night', an initiative that aims to draw attention to the excessive use of artificial light at night and the impact of this on people, nature and the environment.

After taking part in Earth Night, Baloise in Germany decided to make a more lasting contribution and has now optimised the times at which its lighting systems and outdoor advertising switch on and off. This will generate an annual energy saving of 33,000 to 34,000 kWh. The fountains in front of the Bad Homburg office have also been switched off, saving both electricity and water.

The lighting was further optimised at the offices in Hamburg and Bad Homburg. In Bad Homburg, 15 additional emergency exit signs were switched to LED light sources. In Hamburg, the use of LED lights in the corridors and the boulevards of the office building has reduced the number of lights by 50 per cent.

Further milestones in Baloise's plan to reduce the consumption of resources and encourage the use of renewable energy include the switch of the offices in Germany to 100 per cent green electricity (generated exclusively from renewable sources) and the positive outcome of a feasibility study on the installation of a solar power system at the Bad Homburg site. The implementation of this solar plant will begin in 2021. Once it is completed, Baloise will get all its electricity from 100 per cent renewable sources in Switzerland, in Germany, Belgium and Luxembourg in the buildings where it controls its own electricity mix.

In the buildings in Bad Homburg, the default temperature setting for the heating will be lowered and the default temperature of the air conditioning will be raised. The aim of both adjustments is to achieve an energy saving of several thousand euros a year.

At the Hamburg office, the dishwasher used in the canteen kitchen was replaced with a flight-type dishwasher that has a heat exchanger and reduces energy use by more than 50 per cent. The heating energy was further reduced by hydraulic control of the heating system. In the longterm, this is expected to cut heating energy by 15 per cent.

In total, at the Hamburg office alone, the optimisation measures implemented in 2020 resulted in annual savings of 1,419 tonnes of CO_2 equivalent.

FRIDAY OFFSETS OVER 1,300 TONNES OF CO_2e*

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

* CO_2 equivalent (CO_2e) is a unit used to standardise the effect on the climate of various greenhouse gases.

ENERGY EFFICIENCY AT BALOISE

The total energy and resource consumption revealed by the environmental audit shows the amounts used by the Baloise Group's large office buildings at all sites and at its computer centres. The figures reported relate to the energy and resources used by 72.4 per cent of the 7,600 or so people working for the Baloise Group. Per-employee consumption of heating has been reduced by around 33 per cent and of electricity by 42 per cent over the last ten years. With the objectives of the Paris Agreement in mind, a wide range of energy-saving measures have been analysed which will be implemented in each country over the coming years.
www.baloise.com/sustainability

CARBON EMISSIONS LESS THAN TWO TONNES PER EMPLOYEE

Carbon emissions per employee have fallen to below two tonnes per year for the first time since the Baloise Group began recording this metric in 1998 (1.858 tonnes per employee in 2020). If the carbon emissions generated on the total of 791,959 days when Baloise employees were working from home are taken into account, the carbon emissions per employee for 2020 are still below 2 tonnes (approx. 1.9 tonnes).

Paper consumption (DIN A4) and business travel saw the sharpest falls compared with 2019 figures (–43.9 per cent and –37.5 per cent respectively). Water consumption at the Baloise offices also fell by a total of 18.5 per cent. Around 10 litres of water consumption shifted to the employees' personal environmental footprint. These effects are due to the increase in home working caused by Covid-19 measures.

ENVIRONMENTAL AUDIT

	2018 absolute	2019 absolute	2020 absolute	Relative	Unit	+/– %
Employees	5,214	5,590	6,052		headcount	8.2
Energy reference area	142,409	155,853	167,571		ERA m²	7.5
Locations	14	15	18		number of buildings	3
Electricity consumption	18,314,747	16,381,853	14,703,323	2,429	kWh / employee	– 10.3
Heating consumption	8,269,769	9,553,480	9,813,735	59	kWh / m²	2.7
Water consumption	45,421 m³	41,341 m³	33,677 m³	22	l / employee / day	– 18.5
Paper consumption	300 t	318 t	232 t	38	kg / employee	27.0
Paper types				2.0 %	recycled	
				98.0 %	chlorine-free-bleached	
				0.0 %	chlorine-bleached	
Copy paper consumption	66.1 million A4 sheets	62.7 million A4 sheets	35.2 million A4 sheets	5,822	A4 sheets / employee	– 43.9
Amount of refuse	843 t	922 t	1,124 t	186	kg / employee	21.9
Types of refuse				41.0 %	paper / cardboard	
				8.0 %	other materials	
				1.0 %	special waste	
				50.0 %	misc. waste / refuse	
Business travel	22.4 million km	20.7 million km	12.9 million km	2,138	km / employee	– 37.5
Mode of transport				6.1 %	km by air	
				53.7 %	km by road	
				40.2 %	km by public transport	
CO_2 emissions	14,773 t	13,731 t	11,247 t	1,858	kg / employee	– 18.1

Risk management is a key pillar of value creation at Baloise

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 its stakeholders. It helps to ensure a strong balance sheet, a high level of operational profitability, a well-developed risk culture and consistent risk processes as well as a sustainable investment policy.

Risk management plays an important role in creating added value for the Baloise stakeholders. It involves managing both risk and value at the same time, and is based on innovative standards so that Baloise can always keep its promise to its customers. Risk management at Baloise is a standardised strategic and operational system that is applied throughout the Group and covers the following areas:

- Risk 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 risks and market risks, as well as the operational risks arising from business activities. The detailed risk map can be found on pages 174 and 175 of the Financial Report. Risk awareness – how people perceive and respond to risk – is encouraged and embedded throughout the organisation so that accepted risks can be consciously managed within the scope of risk appetite and unwanted risks can be minimised for Baloise and its stakeholders.
- Risk measurement: Risks are identified and quantified in all business and financial processes according to common standards and resulting in an appropriate prioritisation of the accepted risks for the management.
- Risk processes: The management, reporting and evaluation processes are enhanced by risk processes in order to ensure that the risk perspective is factored into all important business decisions.
- Strategic risk management: The function of risk steering is to optimise the Group's earnings potential while taking account of the risks and thereby to create long-term value for the Baloise investors.

The holistic risk management system and risk culture ensure that all material risks are identified, measured and adequately addressed. Accepted risks are consciously managed and unwanted risks are actively reduced for Baloise and for its stakeholders.

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

The integration of sustainability risks and climate risks into risk management can help to protect the environment in the long term and thus create value for a secure and decent future for the whole of society.

Sustainability risks are documented and analysed as individual risks within the area of business strategy. As part of the analysis of emerging risks, long-term, sustainability-related trends such as social trends or environmental and climate risks are examined and evaluated. Baloise's risk management incorporates sustainability-related risks into its existing risk processes and creates long-term value for society as a whole through greater risk awareness. The importance of risk management for value creation at Baloise is discussed in more detail on the basis of the TCFD categories (governance, strategy, risk management, and metrics and targets) in the chapter Risk Management as a framework process for value creation.

▸ Chapter 'Sustainable business management / Responsibility'

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 (IKS), and in doing so provides regular reports on its risk and solvency situation to the regulators. Fulfilment of these requirements ensures that Baloise reduces unwanted risks to the greatest possible extent and remains solvent even under adverse circumstances so that it is always able to meet its obligations to its customers.

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

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

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

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

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

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

The risk models, which use quantitative methods to assess all business risks and financial market risks in all strategic units, additionally form the basis for strategic discussions about Baloise's risk appetite. Strategic risk steering within the limits of the established risk appetite offers a clear picture of the risks involved in opening up new business lines and of how to optimise the risk / return profile of existing business. In the area of investment, for example, the aim is to achieve the highest possible expected return with the lowest possible risks. This will ensure the long-term stability of Baloise, benefiting both its customers and its investors.

By establishing sustainability criteria in the investment and underwriting process, the risks for customers and investors are reduced and a positive effect is achieved for the environment and society.

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

Sustainability criteria are also increasingly being included in the underwriting process, and are currently being incorporated into the underwriting guidelines. In future, engagement in the insurance business will be developed over the long term in accordance with sustainability criteria (primarily through new business for industrial customers and key accounts), risks will be reduced and a positive contribution made to the environment and society.

Baloise's capital base, which has a positive impact on the security of investors and customers, is also rated positively from an external view.

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

Baloise was able to respond quickly and comprehensively to the Covid-19 pandemic and the associated challenges.

Due to the governance structures and risk management processes Baloise has in place, it was able to respond quickly and comprehensively to the Covid-19 pandemic and effectively reduce the risks and the negative impact for the Group and its stakeholders. For example, the crisis management team and the business continuity management (BCM) team were quickly able to ensure the continuation of business operations and the IT department provided the necessary resources within a very short space of time to enable virtually the entire workforce to work from home.

www.baloise.com/risk-management

The Baloise Group's commitment to art

Art provides a space for reflection and a lens through which to view the world in a different way. It enriches our lives and stimulates discussion. The Baloise art collection is an important part of the Company's corporate culture, as Baloise believes that the privilege of owning art comes with an obligation to make it accessible to the wider public. In an extension of this principle, the Company operates a website that covers all aspects of Baloise's activities in the arts sector. As well as presenting the themed exhibitions at the Baloise Art Forum, the website www.baloiseart.com also provides some glimpses into the collection itself, showcasing a growing selection of artists and their work. It also includes a section that features all recipients of the Baloise Art Prize, now in its 23rd year.

CORPORATE COLLECTING – AN IMPORTANT ASPECT OF THE CULTURE AT BALOISE

The primary objective of the collection is not to achieve monetary gain, but to integrate spiritual and creative values into the Company's corporate culture. Since the late 1940s, the Baloise art works have always been accessible both to employees and to visitors. The collection is on display in foyers, corridors, meeting rooms and offices, as well as in reception rooms that are open to the public. Baloise is of the opinion that works of art ought to be seen so that they enrich lives, inspire reflection and provoke discussion.

BALOISE ART PRIZE

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

Its commitment to sponsoring modern art – through acquisitions for its own collection and in the form of the Baloise Art Prize – also represents part of this approach. It is Baloise's way of supporting the development of young and emerging artistic talent.

Since 1999, Baloise has been awarding the annual Baloise Art Prize at Art Basel, an international art fair. Two talented emerging artists each receive CHF 30,000 in prize money, which is awarded during a ceremony at the fair. After the announcement at the Art Basel media conference, both the winners and the galleries enjoy considerable attention at this globally significant event.

Although individual countries eased their lockdowns in June 2020, the global situation remained too precarious to hold the Art Basel fair. The general health and safety risks for all attendees, the financial risks for exhibitors and partners and the persistent challenges in international travel were simply too great. The cancellation of the art fair also meant that the competition entries could not be judged and that Baloise was not able to award its prize.

ART AT THE NEW BALOISE PARK COMPLEX

The Group headquarters at Baloise Park, which opened in summer 2020, also provide space to display the Baloise collection. The publicly accessible Art Forum on the ground floor presents two exhibitions a year on different themes, and in keeping with the Baloise corporate philosophy, the upper floors also display works from the collection in specially provided spaces – the 'etagères'.

Digital displays, such as the mobile table in the entrance hall and the screens on the upper floors, provide insights into the collection, which comprises more than 1,500 works. This form of digital presentation is intended to offer a different experience of the artworks while also providing access to the entire collection. The mobile table on the ground floor also presents an overview of the Company's history, milestones of the construction of the new headquarters and Baloise's engagement activities.

On the newly created plaza in front of its headquarters, Baloise has installed the bronze sculpture 'Drittes Tier' (2017) by Thomas Schütte, which stands 3.5 metres tall. Thomas Schütte describes the sculpture as a mythical creature made up of various animals. It has the head of an antlerless moose, a mixture of different paws and hind legs, an indeterminable torso and the tail fin of a whale. But the most unusual thing about this gentle giant is that it can 'breathe', which makes the sculpture come to life. The artist also accepted Baloise's invitation to inaugurate the new Art Forum at Baloise Park with an exhibition of works from his own collection curated specifically to complement this space. This opening exhibition will be on display until 30 April 2021.

THE ART COLLECTION

New acquisitions for the collection are made by the Baloise art commission, which comprises six art-loving employees from various parts of the company and one external adviser. They focus on acquiring works on paper by contemporary artists. The decisive factor for inclusion in the collection is the persuasive quality of the work and its emotional and intellectual connection to the hopes and fears of our time. This acquisition policy also allows the art commission to include the winners of the Baloise Art Prize in the collection, and thus to help shape the way in which it promotes art. For example, works by 2013 winner Jenni Tischer (born 1979) and 2015 winner Mathieu Kleyebe Abonnenc (born 1977) have been added to the collection.

The panel of judges at the time provided the following explanation for their selection: "The combination of material, colour, form and text is a central design principle of Jenni Tischer's three-dimensional works. She incorporates references to modernism into the context of her own works, while undermining them at the same time. Her installations resemble stage sets filled with a wealth of objects that seem to tell stories but preclude interpretation at the same time. Political concerns such as authorship, production and feminism resonate in Jenni Tischer's works, specifically in her choice of technique. She often exploits typically feminine activities like embroidery, sewing or weaving, which she transports into the context of art with great subtlety." Her installation of works produced specifically for the Museum Moderner Kunst Stiftung Ludwig Wien (MUMOK) was gifted to the museum.

Some of the purchases made for Baloise's collection originated from a relief that previously adorned the facade of the former Baloise building at Aeschengraben 25 in Basel, which was designed by Hermann Baur. The relief was made up of triangular aluminium tiles arranged in a geometric pattern that stretched horizontally along the wall of the building and created the effect of several winding ribbons.

Jenni Tischer
'Mood', 2016, 36 x 51,7 cm (left)
'Pattern Recognition (sw) II', 2016, 41,7 x 28,2 cm (right)
Collection of Baloise Group

Tischer creates works of art that are finely detailed but at the same time reduced to the essential, lending a certain gravity and elegance to materials and techniques that are not commonly associated with art. They express an approach that Tischer described as follows in a conversation with art theorist Ines Kleesattel: "The shapes are inspired by a wide range of devices such as looms, weaving frames and spindles, but also measuring instruments, etc. and their size always relates to the bodies that operate them. (…) The slow pace of my creative process, the reduction of the form and my selection of materials and colours are also inspired by attitudes that are transferable to contexts outside the artistic sphere. I find it more productive to think about how I produce things and perform tasks rather than reflecting topics such as current political events in my work."

The French artist Mathieu Kleyebe Abonnenc has been working on a series of large-scale colour photographs entitled 'Vieux-Wacapou' since 2017. These have been taken in French Guiana, a French overseas department on the north-eastern coast of South America, where the artist lived as a child.

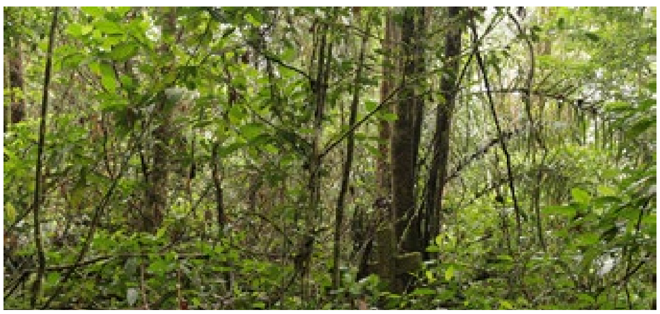
"The title of the series refers to a place on the river Maroni that was the destination of Abonnenc's travels into the country's heartland. Immigrants from the English-speaking island state of Saint Lucia and the neighbouring French Antilles settled in this village surrounded by rainforest back at the start of the 20th century. Most of the settlers were descendants of people from Africa who had worked on the Antilles as slaves since the 17th century. Over the decades, Wacapou evolved into a prospering settlement where gold panning was the main source of income. In the mid-1980s, the artist's mother decided to buy the house of Joseph Bernes, a former gold panner, in this village. But the outbreak of a post-colonial civil war in neighbouring Suriname in the summer of 1986 thwarted her plan to spend some time living in this wooden house on stilts with her family. The border village became a dangerous place to be.

More than 30 years lie between the violent conflict in Suriname and Abonnenc's decision to travel to Wacapou. The photography series 'Vieux-Wacapou' documents the artist's search for the place that he knew from his childhood. Today, the ruins of this deserted settlement are covered in dense vegetation. Abonnenc had to proceed like an archaeologist to uncover the secrets lying hidden beneath the jungle. As the eyes adjust to the murky twilight, they begin to recognise remnants of the former village and its history: stilts that used to support houses, crosses from the graveyard, glass bottles, the concrete steps leading to the jetty. Abonnenc's photographs of the ruins of Wacapou village capture a rich and complex blend of European colonial heritage, the passage of time and family history," explains Martin Schwander, artistic adviser to Baloise.
www.baloiseart.com

PUTTING THE SPOTLIGHT ON ART AT BALOISE

The opening of Baloise Park marks the beginning of a new era in the Baloise Group's corporate history. This new chapter represents an ideal opportunity to publicly showcase the Company's commitment to art in the form of a book for the first time. Providing a concentrated insight into the art collection, the publication features works on paper and photographs by 66 international artists from the 1960s onwards. From the beginning, Baloise's strategy has been to follow individual artists' output over an extended period, and to acquire larger groups of works by each one. The book presents a selection of works, mostly consisting of parts of those groups. The works are accompanied by authoritative commentary from distinguished experts. The book is available at the Group headquarters and in bookshops (ISBN 978-3-7757-4641-0). A complete overview of the art collection is provided on the website at www.baloiseart.com.

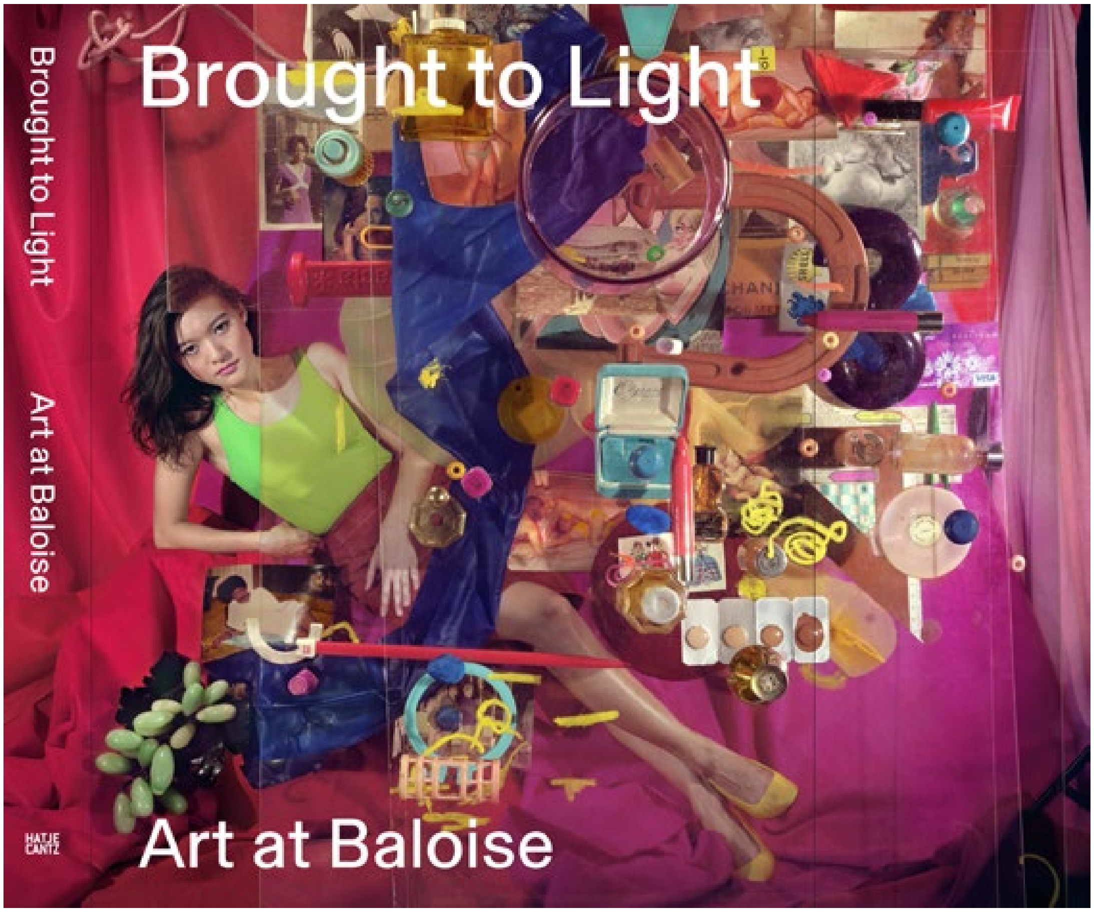
Mathieu Kleyebe Abonnenc
'Vieux-Wacapou. Le dégrad', 2017 / 18, 120 x 180 cm (above)
'Vieux-Wacapou. Le cimetière', 2018, 120 x 180 cm (below)
Collection of Baloise Group
Courtesy Künstler und Marcelle Alix, Paris



BUILDING BALOISE PARK

The buildings by Diener & Diener, Miller & Maranta and Valerio Olgiati are presented in a publication entitled Building the Baloise Park. This includes numerous illustrations and plans, as well as interviews with the architects. The new headquarters of the Baloise insurance group were designed by architectural firm Diener & Diener. With its tall windows stretching over two floors, the smallest of the three buildings sets the appropriate tone for a prestigious head office building. Valerio Olgiati was responsible for the office building with its striking, russet brown-tinted exterior that gives it a very distinct identity. The most eye-catching building of the ensemble is the high-rise block designed by architect duo Miller & Maranta. Its main occupant will be the Mövenpick Hotel, which will be furnished by Matteo Thun, the internationally renowned Milanese designer and interior architect.

The final publication is available at the Group headquarters and can also be ordered from the publisher, Christoph Merian Verlag (ISBN 978-3-85616-928-2).



Corporate Governance

Transparent Corporate Governance

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

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

This chapter reflects the structure of the SIX Corporate Governance Guidelines as amended on 20 June 2019 in order to improve comparability with previous years and with other companies. It includes the requirements of economiesuisse's Swiss Code of Best Practice for Corporate Governance, Appendix 1 of which contains recommendations on the remuneration paid to the Board of Directors and the Executive Committee. In item 5 of its Corporate Governance Report, Baloise publishes the principles used to determine the content and scope of the disclosures on remuneration in the Remuneration Report (Appendix 1 to the Corporate Governance Report, page 104 onwards).

The information contained in the Corporate Governance Report refers to the situation on the balance sheet date (31 December 2020). Additional reference is made to material changes occurring between the balance sheet date and the print deadline for the Annual Report.

Sustainable business management plays an important role at Baloise and, in addition to the information provided in the Corporate Governance Report, is described in a dedicated section of the Annual Report from page 35 onwards.

1. STRUCTURE OF THE BALOISE GROUP AND SHAREHOLDER BASE

Structure of the Baloise Group

Headquartered in Basel, Switzerland, Bâloise Holding is a public limited company that is incorporated under Swiss law and listed on the Swiss Exchange (SIX). The Baloise Group had a market capitalisation of CHF 7,686 million as at 31 December 2020.

- Information on Baloise shares can be found from page 8 onwards.
- Significant subsidiaries, joint ventures and associates as at 31 December 2020 can be found from page 274 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 213 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 100 onwards.

Shareholder base

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

Shareholder structure

A total of 24,020 shareholders were registered in Bâloise Holding's share register as at 31 December 2020. The number of registered shareholders had increased by 12.1 per cent compared with the previous year. The "Significant shareholders" section on page 300 provides information on the structure of the Company's shareholder base as at 31 December 2020.

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

Treasury shares
Bâloise Holding held (directly and indirectly) 3,328,396 treasury shares (6.8 per cent of the issued share capital) as at 31 December 2020.

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

2. CAPITAL STRUCTURE

Dividend policy
Bâloise Holding pursues a policy of paying consistent, earnings-related dividends. It uses other dividend instruments such as share buy-backs and options to supplement conventional cash dividends. Shareholders have received a total of CHF 1,986.7 million from cash dividends and share buy-backs over the last five years.

Year (CHF million)	Cash dividends	Share buy-backs	Total
2016	260.0	54.8	314.8
2017	273.3	63.3	336.6
2018	292.8	135.1	427.9
2019	312.3	190.0	502.3
2020	312.3 [1]	92.8	405.1
Total	1,450.7	536.0	1,986.7

All figures stated as at 31 December.
1 Proposal to the Annual General Meeting on 30 April 2021.

Bâloise Holding's equity
The table below shows the changes in equity during the last three reporting years.

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

CHF million	31.12.2018	31.12.2019	31.12.2020
Share capital	4.9	4.9	4.9
General reserve	11.7	11.7	11.7
Reserve for treasury shares	6.4	8.3	9.2
Free reserves	566.1	683.2	922.3
Distributable profit	412.6	552.5	372.5
Treasury shares	– 206.7	– 397.7	– 491.3
Equity attributable to Bâloise Holding	795.0	862.9	829.3

The share capital of Bâloise Holding totals CHF 4.88 million and is divided into 48,800,000 dividend-bearing registered shares with a par value of CHF 0.10 each. The Annual General Meeting on 30 April 2021 will be asked to reduce the share capital to 45,800,000 registered shares with a par value of CHF 0.10 each and to cancel 3,000,000 registered shares. The shares to be cancelled were repurchased under the share buy-back programme 2017 to 2020.

Authorised and conditional capital; other financing instruments

Authorised capital
A resolution adopted by the Annual General Meeting on 26 April 2019 has authorised the Board of Directors until 26 April 2021 to increase the Company's share capital by up to CHF 400,000 by issuing up to 4,000,000 fully paid-up registered shares with a par value of CHF 0.10 each (see article 3 [4] of the Articles of Association). The Annual General Meeting on 30 April 2021 will be asked to extend the authorised capital by two years to 30 April 2023 by way of an amendment to the Articles of Association.
www.baloise.com/rules-regulations

Conditional capital

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

Conditional capital is used to cover any option rights or conversion rights granted in conjunction with bonds and similar securities. Shareholders' pre-emption rights are disapplied. Holders of the pertinent option rights and conversion rights are entitled to subscribe for the new registered shares. The Board of Directors may restrict or disapply shareholders' pre-emption rights when issuing warrant-linked bonds or convertible bonds in international capital markets (see article 3 [3] of the Articles of Association).
www.baloise.com/rules-regulations

Other equity instruments

The Company has no profit-participation certificates.

The Baloise Group's consolidated equity

The Baloise Group's consolidated equity amounted to CHF 6,985.7 million on 31 December 2020. Details of changes in consolidated equity in 2019 and 2020 can be found in the consolidated statement of changes in equity on pages 140 and 141 in the Financial Report. All pertinent details relating to 2018 can be found in the consolidated statement of changes in equity on page 124 in the Financial Report within the 2019 Annual Report.

Bonds outstanding

Bâloise Holding and Baloise Life Ltd (with Bâloise Holding acting as guarantor) have issued bonds publicly. As at the end of 2020, a total of 13 public bonds were outstanding. On 4 February, Baloise Holding issued a further bond in an amount of CHF 250 million. Details of outstanding bonds can be found on pages 256 and 298 and on the website.
www.baloise.com/bonds

Credit rating

On 24 August 2020, credit rating agency Standard & Poor's confirmed the rating of the Swiss units Baloise Insurance Ltd and Baloise Life Ltd as "A+" with a stable outlook. Standard & Poor's awarded this credit rating in recognition of Baloise's excellent capitalisation – which is comfortably above the AAA level according to the S&P capital model – as well as its high operational profitability, robust risk management and solid competitive position in its profitable core markets. Information about the ratings of Bâloise Holding Ltd, the Belgian subsidiary Baloise Belgium NV and the German subsidiary Basler Sachversicherungs-AG, which were also reaffirmed, can be found on the website.
www.baloise.com/rating

3. BOARD OF DIRECTORS

Election and term of appointment The Board of Directors consisted of ten members last year. Each member of the Board of Directors has been elected for a term of one year at a time. As at 31 December 2020, the average age on the Board of Directors was 60 years.

Members of the Board of Directors

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

During the reporting year, Dr Andreas Beerli, Dr Andreas Burckhardt, Christoph B. Gloor, Hugo Lasat, Christoph Mäder, Dr Markus R. Neuhaus, Dr Thomas von Planta, Thomas Pleines, Professor Hans-Jörg Schmidt-Trenz and Professor Marie-Noëlle Venturi - Zen-Ruffinen were re-elected as members of the Board of Directors for a one-year term until the end of the next Annual General Meeting.

With the exception of the Chairman Dr Andreas Burckhardt, who is not available for re-election, all members of the Board of Directors are standing for re-election at the Annual General Meeting on 30 April 2021. Dr Andreas Burckhardt (69) joined the Baloise Group as Secretary General and performed this role for six years. He took up a position on the Board of Directors of

Bâloise Holding Ltd in 1999 and became Chairman of the Board in 2011. The Board of Directors of Bâloise Holding has decided to nominate Dr Thomas von Planta for the position of Chairman of the Board at the Annual General Meeting on 30 April 2021. The 59-year-old Swiss national has been a member of the Board of Directors since 2017 and has contributed to the Chairman's Committee, the Investment Committee and the Audit and Risk Committee over the course of the last three and a half years or so. To ensure continuity, the Vice-Chairman and Chairman of the Audit and Risk Committee, Dr Andreas Beerli, will retain his position on the Board of Directors for a further term. The Board of Directors has approved an exemption to the rule on age limits for this purpose (Section A 1.3 of the Organisational Regulations).

The Board of Directors will propose that the Annual General Meeting elect Karin Lenzlinger Diedenhofen as a new member of the Board of Directors. She is extremely well connected in the Swiss business community, has experience in the media sector and will bring the perspective of an entrepreneur to the Board of Directors.

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

Statutory rules concerning the number of permitted activities

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

Interlocking directorates

There are no interlocking directorates.

MEMBERS

	Chairman's Committee	Audit and Risk Committee	Remuneration Committee	Investment Committee	Nationality	Born in	Appointed in
Dr Andreas Burckhardt, Chairman (since 2011), Basel	C			C	CH	1951	1999
Dr Andreas Beerli, Vice-Chairman (since 2018), Oberwil-Lieli	DC	C			CH	1951	2011
Christoph B. Gloor, Riehen		DC		DC	CH	1966	2014
Hugo Lasat, Kessel-Lo (B)				M	B	1964	2016
Christoph Mäder, Hergiswil			M		CH	1959	2019
Dr Markus R. Neuhaus, Zollikon		M			CH	1958	2019
Dr Thomas von Planta, Zurich	M			M	CH	1961	2017
Thomas Pleines, Munich (D)	M		C		D	1955	2012
Prof. Dr Hans-Jörg Schmidt-Trenz, Hamburg (D)			M		D	1959	2018
Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen, Crans-Montana		M	DC		CH	1975	2016

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

DIVERSITY ON THE BOARD OF DIRECTORS

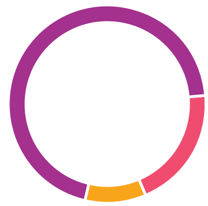
Per cent

Professional background / experience / expertise *

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

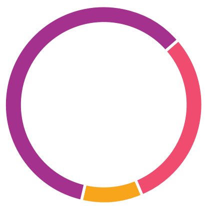
Nationality

Switzerland	70.0
Germany	20.0
Belgium	10.0



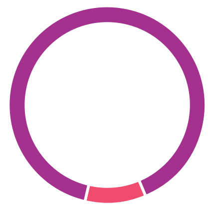
Term of appointment

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



Gender

Men	90.0
Women	10.0



* More than one category may apply.

Internal organisation

Functions and responsibilities of the Board of Directors

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

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

www.baloise.com/rules-regulations

Information on the Board of Director's role in corporate social and environmental responsibility can be found on page 35 in the Sustainable Business Management chapter.

Committees of the Board of Directors

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

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

www.baloise.com/rules-regulations

Functions and responsibilities of the committees

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

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

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

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

Meetings of the Board of Directors and its committees

The Organisational Regulations stipulate that the full Board of Directors must meet as often as business requires, but no fewer than four times a year.

www.baloise.com/rules-regulations

Response of the Board of Directors to Covid-19

The Board of Directors received regular briefings from the Corporate Executive Committee on action taken by the Covid-19 working group formed for this purpose by the strategic business units. The Board was able to contribute its experience and expertise at the six extraordinary meetings which members could choose to attend in person or by telephone. The meetings dealt systematically with the matters of critical importance to the Baloise Group: maintaining operations and IT, staff management and culture, impact on the insurance and reinsurance business and on solvency, and performance of the Group's investments. The Board of Directors was also regularly briefed at its ordinary meetings and between meetings. It therefore continued to actively carry out its management role during the Covid-19 pandemic.

The full Board of Directors of Bâloise Holding met on seven occasions in 2020 and held a further six conference calls because of the Covid-19 pandemic. Each one of these meetings was attended by the full complement of members. All members of the relevant committee in each case attended every one of the additional 16 committee meetings. This means that the Board of Directors achieved an overall meeting attendance rate of 100 per cent. Meetings of the Board of Directors and its committees usually last half a working day each.

The Chairman's Committee convened five times in 2020, which included one two-day strategy meeting. The Investment Committee met on four occasions. The Audit and Risk Committee held five meetings, and the Remuneration Committee convened twice.

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

Self-evaluation

Every two years, a comprehensive self-evaluation is carried out in the full Board of Directors, in the Investment Committee and in the Audit and Risk Committee. The results are then discussed in each body. The seminar planned for December 2020 could not take place because of Covid-19-related travel restrictions and has been postponed until 2021.

Training and development

In preparation for their new role, the members of the Board of Directors participate in a two-day introductory programme and then receive ongoing training (at least once a year) in half-day seminars on specific topics. The seminar planned for December 2020 could not take place because of Covid-related travel restrictions and has been postponed until 2021.

Succession planning

Succession planning for the Board of Directors and the Corporate Executive Committee is the responsibility of the Chairman's Committee. In appointing successors, care is taken to ensure that the composition of the Board of Directors is balanced in terms of the experience and knowledge of its members and their nationality, term of appointment and gender (see diversity charts on page 90). Any restrictions on availability and potential conflicts of interest rising from other mandates are also taken into account. In particular, the Board of Directors is endeavouring to increase the proportion of women on the Board of Directors, as this was reduced when Karin Keller Sutter stepped down at the end of 2018. 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). There are changes to the Board of Directors on an ongoing basis. In recent years, two members retired from the Board of Directors after terms of 18 and 17 years respectively. When the Chairman steps down in 2021, the Board of Directors will lose its longest-serving member. Dr Burckhardt has served on the Board for 21 years, including eleven years as a member and ten as Chairman. The average term of office is 5.9 years. The nomination of Ms Karin Lenzlinger Diedenhofen will increase the proportion of female members to 20 per cent.

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

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

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

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

Effective risk management is essential for any insurance group. This is why Baloise has devoted a separate chapter to the subject of financial risk management: from page 77 onwards and in the Financial Report starting on page 171.

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

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

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

Christoph B. Gloor (1966, Switzerland, degree in business economics HWV)
has been a member of the Board of Directors since 2014. Since November 2019, he has been a director and limited partner in Basel-based private bank E. Gutzwiller & Cie, Banquiers. He had previously been Chief Executive Officer of private bank La Roche & Co AG before going on to become a member of the Executive Committee and CEO of Notenstein La Roche Privatbank AG and Deputy Head of Wealth Management at Bank Vontobel AG. Prior to joining La Roche & Co AG in 1998, he worked for Swiss Bank Corporation (SBC) before moving to Vitra (International). Between 2013 and 2015, Christoph B. Gloor served as president of the Association of Swiss Private Banks and was a member of the Board of Directors of the Swiss Bankers Association, and until the beginning of April 2019 was a member of the Board of Managing Directors of the Basel Banking Association. Christoph B. Gloor is an independent non-executive director.

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

Christoph Mäder (1959, Switzerland, lawyer) has sat on the Board of Directors since May 2019. From 2000 to July 2018, he was a member of the Syngenta International AG executive team with responsibility for legal and tax. Until June 2018, he was a member of the Management Board of the Basel Chamber of Commerce. From 2006 to 2018, Christoph Mäder was a member of the Management Board of scienceindustries, and between 2008 and 2014 he also served as its president. He has been president of economiesuisse, the umbrella organisation representing Swiss business, since October 2020. He has been a member of the Board of Directors of Lonza Group AG since 2016 and served as its Vice-Chairman since 2020. He has sat on the Board of Directors of EMS Chemie Holding AG since 2018 and has been a member of the Board of Directors of Assivalor AG since 2019. Christoph Mäder is an independent non-executive director.

Markus R. Neuhaus (1958, Switzerland, Dr iur., qualified tax expert) has been a member of the Board of Directors since May 2019. He was the Chairman of the Board of Directors of PricewaterhouseCoopers AG (PwC) from July 2012 to June 2019 and served as its CEO for a period of nine years prior to that. He did not hold any operational role at PwC from July 2012 and was not personally involved in the Company's audit engagement for Baloise (until 2015). Dr Markus R. Neuhaus is Vice-Chairman of the Board of Directors of Barry Callebaut AG and Orior AG. He is a member of the Board of Directors of Galenica AG and Jacobs Holding AG. He is Vice-Chair of the Board of Trustees of Avenir Suisse, Vice Chairman of the Foundation Board of stars – the leaders for the next generation, Vice-Chair of the Management Board of Zurich's Chamber of Commerce, Chairman of economiesuisse's Finance and Taxation Commission and a member of the Board of Trustees of the ETH Foundation. Dr Markus R. Neuhaus is an independent non-executive director.

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

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

Hans-Jörg Schmidt-Trenz (1959, Germany, Prof. Dr rer. pol.)
has been a member of the Board of Directors since 2018. He is a professor of economics at Saarland University and the University of Hamburg and Founding President of the HSBA Hamburg School of Business Administration. From 1996 to 2017, he was Chief Executive Officer of the Hamburg Chamber of Commerce. Prof. Hans-Jörg Schmidt-Trenz is Committee Chair of the General Council and Executive Committee of the International Chamber of Commerce's World Chambers Federation. He is a member of the Board of Trustees of Hamburger Sparkasse and the Hamburg Academic Foundation, sits on the advisory board of HIP Hamburg Innovation Port and is Chairman of the Board of Trustees of the Tafel foundation of Hamburg-Schleswig-Holstein. Hans-Jörg Schmidt-Trenz is an independent non-executive director.

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

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

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

4. CORPORATE EXECUTIVE COMMITTEE

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

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

Michael Müller (1971, Switzerland, lic. oec. publ.)
graduated in economics from the University of Zurich, specialising in insurance and accounting/finance. He began his career with Basler Versicherungen in 1997, starting as a management trainee, then working in Group Finance and eventually becoming Deputy Head and, in 2004, Head of Financial Accounting for the Baloise Group. In 2009, as Head of Finance and Risk, he became a member of the senior management team in Corporate Division Switzerland. He has been a member of the Corporate Executive Committee and CEO of Corporate Division Switzerland since March 2011, and as such has headed up the insurance and banking business in Switzerland. Michael Müller is Vice President of the Swiss Insurance Association (SVV) and a member of the Board of Foundation of Stiftung Finanzplatz Basel and the Executive Board of the Association of Basel Insurance Companies. He also sits on the board of the Promotion Society of the Institute of Insurance Economics at the University of St. Gallen.

Carsten Stolz (1968, Germany / Switzerland, Dr rer. pol.)
studied business economics at Fribourg University and gained a doctorate specialising in financial management. He holds an Executive Master in Change from INSEAD. He joined the Baloise Group in 2002 as Head of Financial Relations. From 2009 to 2011, he was the Baloise Group's Head of Financial Accounting & Corporate Finance. Between 2011 and 2017, he was Head of Finance and Risk, and thus a member of the Executive Committee, at Basler Versicherungen Switzerland. Dr Carsten Stolz became a member of the Corporate Executive Committee in May 2017. He manages the Corporate Division Finance with its departments Group Accounting & Reporting, Financial Planning & Analysis, Group Risk Management and Corporate Communications & Investor Relations as well as the appointed actuary for Swiss business at Baloise and the Head of Regulatory Affairs. Since July 2020, his responsibilities have also included Mergers & Acquisitions, Group Procurement and Run-off. Dr Carsten Stolz is a member of the Finance and Regulation Committee of the Swiss Insurance Association (SVV).

Alexander Bockelmann (1974, Germany, Dr rer. nat.)
studied geoecology and environmental sciences at the universities of Bayreuth and East Anglia before completing his doctorate at the University of Tübingen's faculty of geosciences. Dr Alexander Bockelmann is a proven expert in digitalisation and transformation, and has many years of experience in the industry. He previously worked as an IT strategy and transformation consultant at the Boston Consulting Group and in various senior roles at Allianz SE in Germany and the USA. At the end of 2013, he moved to UNIQA Insurance Group AG in Austria in the role of Group CIO and ultimately became Chief Digital Officer and Group Chief Information Officer on the Management Board. In February 2019, Dr Alexander Bockelmann joined the Baloise Group to lead the newly created Corporate Division IT.

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 2020)

* Member of the Corporate Executive Committee.

5. REMUNERATION, SHAREHOLDINGS AND LOANS

The Remuneration Report in **Appendix 1** to the Corporate Governance Report (page 104 onwards) describes the remuneration policies adopted and the remuneration systems in place and it contains in particular the remuneration paid and the loans granted to members of the Board of Directors and the Corporate Executive Committee in 2020 as well as the investments they hold. The content and scope of these disclosures are determined by articles 13 to 17 of the Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO), article 663c (3) of the Swiss Code of Obligations (OR), the corporate governance information guidelines published by SIX Swiss Exchange AG (version as at 20 June 2019) and the Swiss Code of Best Practice for Corporate Governance.

The report of the auditors on the audit of the Remuneration Report can be found in **Appendix 2** to the Corporate Governance Report (page 130 onwards).

6. SHAREHOLDER PARTICIPATION RIGHTS

Voting rights

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

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

Statutory quorums

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

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

Convening the Annual General Meeting

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

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

Requesting agenda items

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

Entry in the share register

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

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

7. CHANGES OF CONTROL AND POISON-PILL MEASURES

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

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

8. EXTERNAL AUDITORS

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

EXTERNAL AUDITORS' FEES

	2019	2020
CHF (including outlays and VAT)		
Audit fees	5,656,508	5,072,681
Consulting fees	39,626	46,960
Total	5,696,134	5,119,641

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

In 2020, the full amount of the additional fee for consultancy services was attributable to tax consultancy and legal advice. The services were rendered in accordance with the relevant provisions on independence set forth in the Swiss Code of Obligations, the Swiss Audit Supervision Act and FINMA-Circular 2013/3 on "auditing" (as at 26 June 2019) published by the Swiss Financial Market Supervisory Authority (FINMA).

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

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

Before the start of the annual audit, the Audit and Risk Committee reviews the scope of the audit and suggests areas that require special attention. The Audit and Risk Committee reviews the external auditors' fees and independence on an annual basis.

9. INFORMATION POLICY

Information principles

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

Information events

Baloise provides detailed information about its business activities as follows:

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

Information about Baloise shares

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

Financial calendar

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

Availability of documents

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

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Appendix 1: Remuneration Report

1. LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

DEAR SHAREHOLDERS,

The Remuneration Committee has determined the remuneration to be paid for the 2020 financial year and has adopted a number of changes in respect of the remuneration model. In this – my first – letter to you, I would like to provide you with a summary of the most important facts:

REMUNERATION FOR 2020

The reporting year was challenging for Baloise due to the Covid-19 pandemic. Nonetheless, Baloise has weathered the crisis comparatively well thanks to its prudent management approach. The Company did not need to access government aid or compensation for employees on reduced working hours at any point. Employee satisfaction improved and we were able to pay a dividend to our shareholders as planned. We would like to thank all employees for their hard work and efforts to help us negotiate this crisis.

The Remuneration Committee does not see any need to adjust the fixed remuneration of the Corporate Executive Committee. However, after careful deliberation, we have set the performance pool factor at 90 per cent. The Remuneration Committee assessed four main indicators when taking this decision: Good progress was made in respect of targets relating to customers, employees and shareholders. The combined ratio came to a solid 91.3 per cent despite the coronavirus pandemic; however, operating profit was down year on year (including after adjustment for non-recurring effects). Our assessment of the risks taken did not change. The share price performance weakened slightly compared with 2019 but remained robust in a difficult market environment.

Nevertheless, the Covid-19 pandemic put substantial pressure on society and the overall economy. Against this backdrop, we regard it as prudent to exercise restraint with regard to variable remuneration in spite of the solid result.

CHANGES TO THE REMUNERATION MODEL AND ITS DISCLOSURE

The remuneration system of Baloise is continually being developed. As part of this ongoing enhancement process, we maintain a regular dialogue with our investors. This year, I would like to point out three new changes:

1. Integration of sustainability into the remuneration model of Baloise

The subject of sustainability is becoming ever more relevant for us and our investors. Going forward, this will also be reflected in the remuneration model. From 2021, the criterion “sustainability” will be added to the main indicator “strategy implementation”. We have selected two metrics that are strategically relevant and easily measurable: (i) a broad-based sustainability index that indicates how well Baloise is fulfilling its responsibilities towards all relevant stakeholders and (ii) an index that measures the reputation of Baloise in society.

2. Fixed weighting of the main indicators for the performance pool

In recent years, we have been improving our transparency with regard to the performance pool. The main indicator “business performance” is given a weighting of 40 per cent because it is a necessary prerequisite for the future competitiveness and long-term success of Baloise. The main indicators “strategy implementation”, “risks taken” and “capital markets perspective” are each given a weighting of 20 per cent. This approach makes remuneration decisions more transparent while also offering the Remuneration Committee the necessary scope for discretion.

3. Advisory vote on the remuneration report

From the next Annual General Meeting on 30 April 2021, you will have the opportunity to participate in an advisory vote on the remuneration report. This step is being adopted in the context of a reform of stock corporation laws, but one year ahead of the reform coming into force.

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

Basel, March 2021

Thomas Pleines
Chairman of the Remuneration Committee

2. OVERVIEW OF REMUNERATION

A. REMUNERATION SYSTEM

The following table gives an overview of fixed and variable remuneration elements at Baloise.

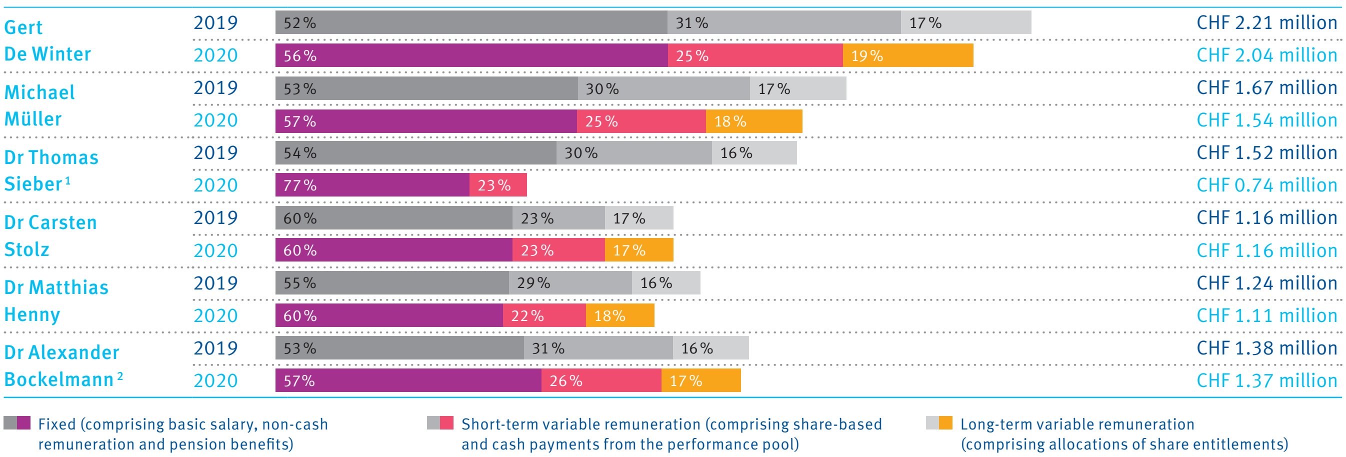
Remuneration system of the Baloise Group

	DESCRIPTION	PAYMENT	INFLUENCING FACTORS	PURPOSE
Performance share units (PSUs)	► Long-term variable remuneration ► Prospective entitlements to shares	► Prospective allocation ► Conversion into shares after three years	► Profit attributable to shareholders relative to peer group (STOXX Europe 600 Insurance)	► Strengthening loyalty of senior managers to the Company ► Aligning management interests with those of shareholders
Performance pool	► Short-term variable remuneration ► Paid in cash or restricted shares (three-year closed period) ► Mandatory share subscription (50% for Corporate Executive Committee)	► Paid in arrears (March of the following year)	► Strategy implementation ► Business performance ► Risks taken ► Capital markets perspective	► Reward for the achievement of annual targets (company, team and individual targets) ► Participation in the success of the business
Fixed remuneration	► Basic salary ► Fringe benefits (dependent on location) ► Pension provisions	► Paid over the course of the work year	► Tasks and responsibilities associated with the position ► Skills and expertise of the employee ► Market	► Competitiveness in the marketplace ► Fairness and transparency ► Financial hedging

More detailed information is provided in the following chapters of the remuneration report:

- Chapter 4. Remuneration policy and remuneration system
- Chapter 5. Components of remuneration

B. INDIVIDUAL REMUNERATION OF THE CORPORATE EXECUTIVE COMMITTEE



1 Until 31 August 2020; 2 Since 1 February 2019.

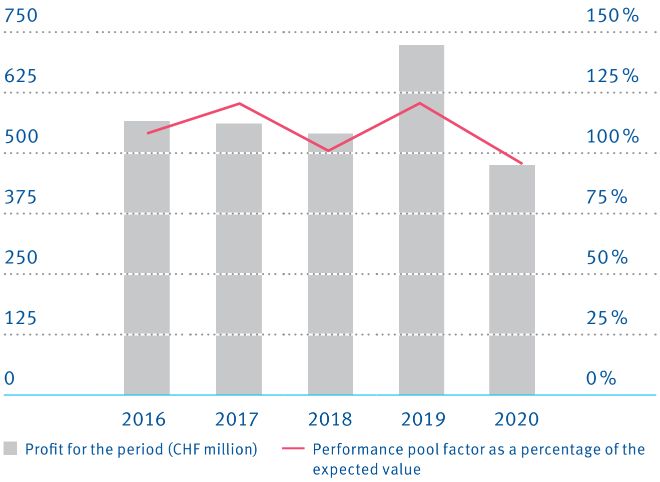
More detailed information is provided in the following chapter of the remuneration report:

- Chapter 12. Remuneration paid to the members of the Corporate Executive Committee

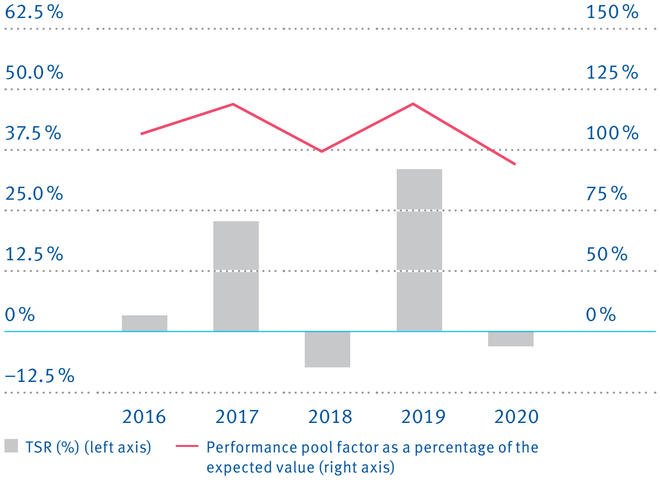
C. SHORT-TERM VARIABLE REMUNERATION

- The short-term variable remuneration is allocated by means of the performance pool.
- The Remuneration Committee assesses the Company's performance and success during the past financial year based on four main indicators (see pages 111 to 113) and determines the performance pool factor.
- As illustrated in the following charts, the performance pool factor fluctuates in line with the profit for the period and the return on equities (total shareholder return, TSR). However, it is also dependent on a number of other criteria and thus cannot be derived from these key figures alone.

Profit for the period vs. performance pool factor



Total shareholder return (TSR) vs. performance pool factor

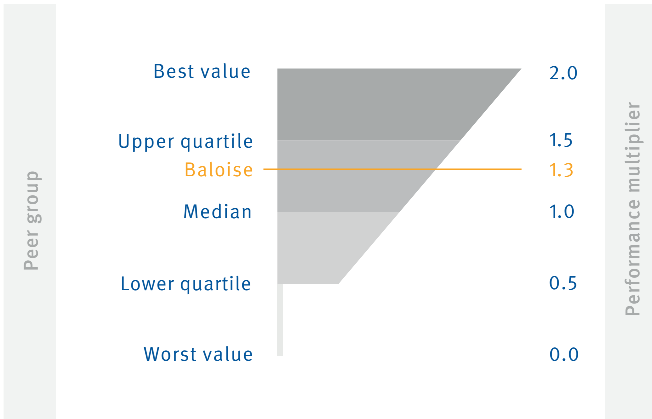


More detailed information is provided in the following chapter of the remuneration report:

- Chapter 5. Components of remuneration / Short-term variable remuneration: performance pool

D. LONG-TERM VARIABLE REMUNERATION

- Long-term variable remuneration is granted in the form of performance share units (PSUs).
- The Remuneration Committee determines the total amount to be awarded in PSUs and the allocation of PSUs to each individual Corporate Executive Committee member.
- After three years, the prospective entitlements are multiplied by a performance multiplier upon conversion into shares. Depending on the total shareholder return (TSR) relative to the peer group (STOXX Europe 600 Insurance), the performance multiplier can range from 0.0 to 2.0 (see illustration on the right). The performance multiplier for the 2020 financial year was set at 1.3.
- The budgeted figure also corresponds with the absolute TSR, as evidenced by the tables below.



Overview of ended and current plans (as at 31 December 2020)

2014 to 2020 plans	Change in share value during programme term (current plans: as at 31 December 2020)	Performance multiplier (current plans: as at 31 December 2020)	Total
1 Mar 2014 – 28 Feb 2017	15 %	6 %	21 %
1 Mar 2015 – 28 Feb 2018	20 %	41 %	61 %
1 Mar 2016 – 28 Feb 2019	29 %	42 %	71 %
1 Mar 2017 – 29 Feb 2020	19 %	40 %	59 %
1 Mar 2018 – 28 Feb 2021	6 %	29 %	35 %
1 Mar 2019 – 28 Feb 2022	–3 %	21 %	18 %
1 Mar 2020 – 28 Feb 2023	2 %	11 %	13 %

Overview of total shareholder return (TSR) of current plans

2014 to 2017 plans	Change in share value during programme term	Dividend payments	Total
1 Mar 2014 – 28 Feb 2017	15 %	13 %	28 %
1 Mar 2015 – 28 Feb 2018	20 %	12 %	32 %
1 Mar 2016 – 28 Feb 2019	29 %	13 %	42 %
1 Mar 2017 – 29 Feb 2020	19 %	12 %	31 %

More detailed information is provided in the following chapter of the remuneration report:

- Chapter 5. Components of remuneration / Long-term variable remuneration: performance share units

E. SHAREHOLDER INVOLVEMENT

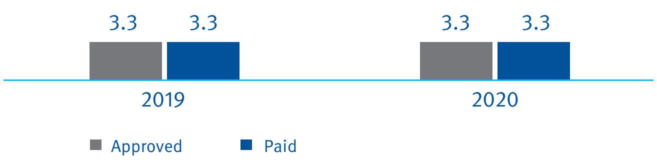
- Every year at the Annual General Meeting, the shareholders vote on the remuneration of the Board of Directors and the Corporate Executive Committee.
- Starting in 2021, the remuneration report will also be put to an advisory vote at the Annual General Meeting.

Shareholder vote at the Annual General Meeting	2020	2021	2022
Total remuneration Board of Directors (binding)			Remuneration for 2022 Board of Directors
Total remuneration Corporate Executive Committee (binding)		Maximum variable remuneration for 2021 for the Corporate Executive Committee	Fixed remuneration for 2022 for the Corporate Executive Committee
Remuneration report (advisory)	2020 remuneration report		

April
2021

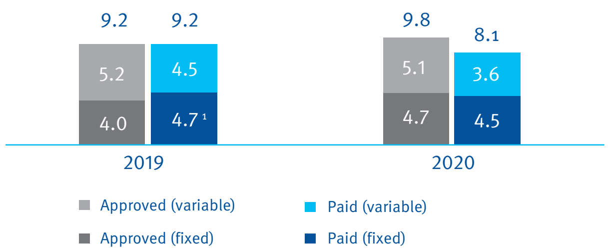
Approved vs. paid remuneration (Board of Directors)

CHF million



Approved vs. paid remuneration (Corporate Executive Committee)

CHF million



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

3. REMUNERATION COMMITTEE OF THE BOARD OF DIRECTORS

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

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

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

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

The Remuneration Committee consists of at least three members of the Board of Directors, who are elected every year by the Annual General Meeting. Thomas Pleines (Chairman), Prof. Marie-Noëlle Venturi – Zen-Ruffinen (Deputy Chairwoman), Christoph Mäder and Prof. Hans-Jörg Schmidt-Trenz were elected to the Remuneration Committee by the Annual General Meeting on 24 April 2020. The Remuneration Committee maintains a regular dialogue with senior management throughout the year and meets at least twice annually. In addition to the committee secretary being present, these meetings are usually also attended by the Group CEO and the Head of Group Human Resources, who participate in an advisory capacity. The Group CEO leaves the meeting when his personal remuneration is being discussed and decided. The Chairman of the Remuneration Committee reports to the Board of Directors at its next meeting on the committee's activities.

4. REMUNERATION POLICY AND REMUNERATION SYSTEM

Principles

The Company's success is largely dependent on the skills, capabilities and performance of its workforce. It is therefore essential to recruit, develop and retain suitably qualified, highly capable and highly motivated professionals and executives. 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 following principles: competitiveness in the marketplace; individual performance and the Company's success; fairness and transparency; and sustainable remuneration.

Competitiveness in the marketplace

Baloise aims to pay basic salaries that are broadly in line with the market – i.e. around the market median – and to offer variable remuneration packages in excess of the going market rate to reward outstanding performance by the Company and individuals. It therefore regularly compares the salaries paid to its employees with those paid in the wider market in Switzerland and Europe. This involves taking part in benchmarking surveys conducted by Willis Towers Watson and Kienbaum, and carrying out detailed analysis of the remuneration packages of the most senior executives including the Corporate Executive Committee. Insurance-related functions are benchmarked against a peer group of direct insurers. The peer group for interdisciplinary functions comprises companies from the banking and financial services sector. The findings are fed into the Company's regular review of its salary structures and presented to the Remuneration Committee.

Individual performance and the Company's success

As a performance-driven organisation, Baloise always maintains a clear and transparent link between the Company's strategic targets, team targets and the targets of individual employees. The amount of short-term variable remuneration is influenced by the individual contributions to the achievement of these targets. Short-term variable remuneration offers a nuanced way of linking the performance of individuals and of the team to Baloise's success and recognising both accordingly. It is designed to reward employees for excellent work without creating an incentive for them to take inappropriate risks. It also aims to motivate staff to strive for outstanding results even beyond their own sphere of responsibility. Personal performance is used as a starting point for the development, advancement, career planning and promotion of employees.

The short-term variable remuneration of the Corporate Executive Committee, the most senior level of management and most other members of the management team throughout the Baloise Group is allocated via the performance pool and is therefore directly linked to the achievement of the Company's goals. The discussion of individual and team contributions to the achievement of the Company's goals forms the basis of the performance management system and takes place in the form of an ongoing dialogue between employees and their respective line managers. The performance management system thus underpins the implementation of Baloise's "Simply Safe" strategy, because it places the focus on objectives such as achieving the three strategic pillars: "cash upstream", "customer growth" and "employees".

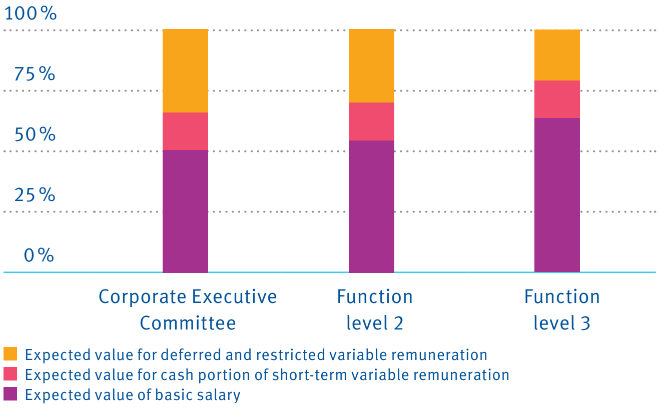
Fairness and transparency

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. The Company already participated in the Swiss federal government's voluntary wage equality dialogue in 2013 / 2014 and repeated the analysis internally in 2018 in collaboration with the employee commission. 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. This means that there is no significant pay gap in the Company's remuneration of female and male employees that cannot be explained with objective factors such as years of service, function and occupational status. In 2021, Baloise will conduct another wage equality analysis in connection with the amended Swiss Equal Opportunities Act. The findings will be audited both internally and externally and will then be shared with employees and shareholders.

Sustainable remuneration

Baloise attaches considerable importance to managing its business sustainably and retaining high performers. It also matters to Baloise that its remuneration is not only competitive and achievement-oriented, but that it also encourages managerial staff to align their long-term focus with the interests of stakeholders, particularly the shareholders. To this end, the remuneration system provides for a significant portion of the variable remuneration to be awarded in shares that are restricted for three years and exposed to market risk during this period. Furthermore, the three most senior function levels receive performance share units, which means that a further component of their salaries is paid out as prospective entitlements; these PSUs must be held for three years before being converted into shares as a form of deferred remuneration. Both the proportion of variable remuneration in the total pay package and the proportion of remuneration awarded in restricted shares or as deferred remuneration increases in line with employees' scope of strategic responsibility and influence.

REMUNERATION STRUCTURE OF THE THREE MOST SENIOR FUNCTION LEVELS



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

5. COMPONENTS OF REMUNERATION

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

Basic salary

The basic salary constitutes the level of remuneration that is commensurate with the functions and responsibilities of the position concerned as well as the employee skills and expertise required in order to achieve the relevant business targets and objectives. This remuneration is paid by bank transfer. The Company's clearly defined and market-based salary structures (e.g. grade-based salary bands) help ensure fair pay relative to others both inside and outside the organisation (see also chapter 4. "Remuneration policy and remuneration system").

Short-term variable remuneration: performance pool

The key factors determining the amount of short-term variable remuneration paid are the Company's profitability and economic value added, the performance of the team, and an employee's individual contribution to the team's performance. Short-term variable remuneration is paid together with the salary for March of the following year. 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. This choice is limited for the most senior managers, who are obliged to subscribe for shares on a sliding-scale basis: members of the Corporate Executive Committee must receive at least 50 per cent of their short-term variable remuneration in the form of shares (if the long-term effect of performance share units is taken into account, the total proportion of remuneration awarded in shares, including entitlements, amounts to at least 70 per cent of total variable remuneration at the time of allocation). Two plans are available to individuals who wish to subscribe for shares: the Share Subscription Plan and the Share Participation Plan (see chapter 6. "Share Subscription Plan and Share Participation Plan").

Fixed weighting of the main indicators for the performance pool

From 2020, the Remuneration Committee will define the weightings of the four main indicators in advance. The main indicators "strategy implementation", "risks taken" and "capital markets perspective" are each given a weighting of 20 per cent while the main indicator "business performance" is given a weighting of 40 per cent. "Business performance" is weighted more heavily than the other indicators because it forms the basis for the future competitiveness and long-term success of Baloise. The fixed weighting of the factors makes the determination of the performance pool easier to understand and thus improves transparency of the variable remuneration.

Sustainability

Sustainability is of far-reaching significance in the future strategy of Baloise (see pages 37 to 38). The Remuneration Committee has decided to add "sustainability" to the criteria for the main indicator "strategy implementation" from 2021, i.e. one year before the start of the next strategic phase, in order to further emphasise the importance of sustainability. This criterion measures improvements in public perception based on Baloise's performance as measured by a broad-based sustainability index and a reputational rating.

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.

The short-term variable remuneration is allocated via the performance pool. The performance pool takes account of the entire Baloise Group's performance. Its amount is determined by the Remuneration Committee after the end of the financial year concerned, using a systematic analytical process that takes account of the following main indicators:

- Main indicator "strategy implementation" (weighting: 20 per cent)
  The criteria are the three strategic goals set by Baloise for

the period 2017 to 2021, comprising a cash upstream of CHF 2 billion into Bâloise Holding, one million new customers, and a rating as one of the best employers in the sector. From 2021, sustainability will be included as an additional criterion.

- Main indicator "business performance" (weighting: 40 per cent)
  The key metric is the profit for the period, with the combined ratio, the interest margin and the business mix in the life insurance business as supplementary metrics.
- Main indicator "risks taken" (weighting: 20 per cent)
  The criteria used to gauge the success of the Company's business from a risk perspective are the Swiss Solvency Test (SST) ratio, economic profit, the credit rating awarded by Standard & Poor's, and assessments provided by the Head of Risk Management and the Head of Group Compliance.
- Main indicator "capital markets perspective" (weighting: 20 per cent)
  The key metric is the performance of Baloise's share price, including dividends paid, compared with the European insurance companies represented in the STOXX Europe 600 Insurance Index (the composition of this index is shown in the table on page 114).

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

The formal cap for the performance pool is set at 150 per cent of the expected value.

Performance pool payments are awarded to individuals at the discretion of the line manager concerned. The amount of these payments is mainly determined by a holistic assessment of the performance, conduct and individual development of the employees. The individual performance pool payment proposed by the respective line manager is discussed by the relevant management team, validated at interdepartmental and interdivisional level and adjusted where necessary. This process ensures that all aspects of an employee's performance as well as risk-relevant behavioural attributes are factored into the performance pool payment awarded to an individual.

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

The allocation of performance pool payments to the members of the Corporate Executive Committee is described in chapter 12. "Remuneration paid to the members of the Corporate Executive Committee".

For the 2020 financial year, the Remuneration Committee decided on a factor of 90 per cent of the expected value of performance pool payments. The decision and the main indicators are explained in greater detail in the following.

Main indicator	**Strategy implementation**
Key question	How successfully were the strategic targets implemented?
Sub-criteria	Cash upstream Customer growth Employees
Appraisal	Baloise is well on track to achieve the ambitious targets of "Simply Safe Season 1" by the end of 2021. Cash remittance to the holding company remained healthy at CHF 424 million in 2020 in spite of the challenging conditions. The goal of attracting one million new customers remains within reach: In 2020, the Company's customer base grew by a solid 225,000 new customers. Baloise is currently among the top 8 per cent of employers in the peer group of European financial services providers. This all amounts to an outstanding achievement, especially against the backdrop of the Covid-19 pandemic.
Rating	Positive

Main indicator	**Business performance**
Key question	What is the operating profit?
Sub-criteria	Profit for the period Combined ratio Life insurance key figures (interest margin and business mix)
Appraisal	The profit for 2020 was down year on year due to the adverse impact of the Covid-19 pandemic. The achievement of a combined ratio of 91.2 per cent in this challenging financial year confirms once again the high quality of the underwriting and the profitability of the non-life business. In a persistently difficult interest-rate environment, the non-life business generated EBIT well above CHF 200 million.
Rating	Negative / Neutral

Main indicator	**Risks taken**
Key question	How should the operating performance be assessed from a risk perspective?
Sub-criteria	SST Economic Profit S&P rating Internal perspective Compliance
Appraisal	With a positive SST ratio for the Group and an S&P rating of A+ with a stable outlook, Baloise remains strongly capitalised. The persistently low interest rates necessitated certain internal measures to strengthen economic capitalisation. Compliance received a positive assessment.
Rating	Neutral

Main indicator	**Capital markets perspective**
Key question	How did Baloise perform relative to other companies on the stock market?
Sub-criteria	Total shareholder return
Appraisal	At the end of the year, Bâloise Holding AG shares had outperformed the STOXX Europe 600 Insurance Index slightly. Bâloise Holding AG's shares were ranked above the median (15^{th} out of 35 stocks), with a total shareholder return of minus 5.9 per cent.
Rating	Neutral / Positive

Determination of the performance pool factor

Appraisal	Baloise achieved a solid result despite the impact of the Covid-19 pandemic. The assessment of “strategy implementation” and “risks taken” remained on a par with the previous year. The relative assessment of “capital markets perspective” has weakened slightly but the share price proved robust in the challenging market environment. The “operating performance”, a factor to which the Remuneration Committee attaches great importance, was weaker than in 2019. The Remuneration Committee carefully analysed all main indicators. Despite the solid results, it decided to set the performance pool factor at 90 per cent in light of the pressure that the Covid-19 pandemic is putting on society and the wider economy.
Factor	90 per cent

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

	Performance pool (as a percentage of the normal expected value)	Consolidated profit for the period (CHF million)
2013	120 %	455.4
2014	137 %	711.9
2015	100 %	511.1
2016	107 %	533.9
2017	120 %	531.9
2018	100 %	522.9
2019	120 %	689.5
2020	90 %	428.3

Long-term variable remuneration: performance share units

Baloise grants performance share units (PSUs) to the most senior managers as a form of long-term variable remuneration in order to retain high performers and align their interests with those of the shareholders.

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

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

One PSU generally confers the right to receive one share. This is the case if the Baloise TSR performs in line with the median of the peer group. In this case the performance multiplier would be 1.0. Participants receive more shares in exchange for their PSUs if the Baloise TSR for the vesting period is higher than the TSRs of the peer group. The multiplier reaches the maximum of 2.0 if Baloise has the highest TSR of all companies in the peer group. The multiplier amounts to 0 if the Baloise TSR is in the bottom quartile of companies in the peer group. If this happens, no prospective entitlements will be converted into shares. Consequently, the performance multiplier increases on a linear basis from the bottom quartile from 0.5 to 2.0 (see page 107). The performance multiplier is defined for the entire vesting period ended, based on the closing stock market prices on the final trading day of the respective vesting period and taking the dividend payments for the period into account.

Participants receive the pertinent number of shares once the vesting period has elapsed, which means that for the PSUs allocated in March 2020 they receive their shares on 1 March 2023. If an individual's employment contract is terminated during the vesting period, the PSUs expire without the person concerned receiving any consideration or compensation. This does not apply if the employment contract ends due to retirement, disability or death. It also does not apply if the

Companies in the STOXX Europe 600 Insurance Index (as at 31 December 2020)

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

Source: https://www.stoxx.com/index-details?symbol=SXIP contract is terminated but the participant does not join a rival company or is not personally at fault for the termination of the contract. In the last two cases, some of the allocated PSUs will still expire. The number of PSUs expiring is proportional to the amount of time remaining until the end of the vesting period. In addition, the Remuneration Committee has the powers to claw back some or all of the PSUs allocated to an individual or to a group of participants if there are specific reasons for doing so. Such specific reasons include, for example, serious breaches of internal or external regulations, the taking of inappropriate risks that are within an individual's control, and the type of conduct or behaviour that would increase the risks to Baloise.

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

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

- interest rate of 1 per cent;
- volatility of all stocks in the peer group and their correlation with one another (measured over a historical period of three years);
- empirical data on how long eligible programme participants remain with the Company.

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

Fringe benefits

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

6. SHARE SUBSCRIPTION PLAN AND SHARE PARTICIPATION PLAN

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

Share Subscription Plan

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

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
2009	1 Jan 2009	82.40	1 Jan 2012	0.64	64.40	41.22	– 50 %
2010	1 Jan 2010	86.05	1 Jan 2013	0.58	78.50	45.53	– 47 %
2011	1 Jan 2011	91.00	1 Jan 2014	0.77	113.60	87.47	– 4 %
2012	1 Mar 2012	71.20	1 Mar 2015	1.21	124.00	150.04	111 %
2013	1 Mar 2013	84.50	1 Mar 2016	1.50	126.00	189.00	124 %
2014	1 Mar 2014	113.40	1 Mar 2017	1.05	130.70	137.24	21 %
2015	1 Mar 2015	124.00	1 Mar 2018	1.34	149.20	199.93	61 %
2016	1 Mar 2016	126.00	1 Mar 2019	1.32	163.00	215.86	71 %
2017	1 Mar 2017	130.70	1 Mar 2020	1.34	154.90	207.57	59 %
2018	1 Mar 2018	149.20	1 Mar 2021	1.28 4	157.50 4	201.60 4	35 % 4
2019	1 Mar 2019	163.00	1 Mar 2022	1.22 4	157.50 4	192.50 4	18 % 4
2020	1 Mar 2020	154.90	1 Mar 2023	1.11 4	157.50 4	175.00 4	13 % 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 2009: ([{0.64*64.40} – 82.40] / 82.40) * 100 = –50 %.
4 Interim measurement as at 31 December 2020.

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

	Applicable closing quotation		Subscription price
	from	CHF	CHF
Share Subscription Plan for 2021 (applies to variable remuneration awarded for the 2020 reporting period)	8 Jan 2021	159.40	143.46
Share Subscription Plan for 2020 (applies to the variable remuneration granted for 2019)	10 Jan 2020	176.00	158.40

Share Participation Plan

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

	Applicable closing quotation		Subscription price
	from	CHF	CHF
Share Participation Plan for 2021 (applies to variable remuneration awarded for the 2020 reporting period)	8 Jan 2021	159.40	139.73
Share Participation Plan for 2020 (applies to the variable remuneration granted for 2019 and to the shares subscribed by the Chairman of the Board of Directors in 2020)	10 Jan 2020	176.00	156.46

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

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

7. EMPLOYEE INCENTIVE PLAN

The Baloise Foundation for Employee Participation set up in 1989 offers members of staff working for various Baloise Group companies in Switzerland the opportunity to purchase shares in Bâloise Holding – usually once a year – at a preferential price in compliance with the regulations adopted by the Board of Foundation. This encourages employees to maintain their commitment to the Company over the long term by becoming shareholders. The subscription price is fixed by the Board of Foundation at the beginning of the subscription period and is then published on the intranet. It equals half of the volume-weighted average share price calculated for the month of August in each subscription year. In 2020, the subscription price amounted to CHF 71.70 (2019: CHF 88.50) and a total of 209,951 shares were subscribed (2019: 192,501). Title to the subscribed shares passes to the relevant

EMPLOYEE INCENTIVE PLAN

	2019	2020
Number of shares subscribed	192,501	209,951
Restricted until	31 Aug 2022	31 Aug 2023
Subscription price per share (CHF)	88.50	71.70
Value of shares subscribed (CHF million)	17.0	15.1
Fair value of subscribed shares on subscription date (CHF million)	32.5	29.5
Employees entitled to participate	3,301	3,372
Participating employees	2,218	2,370
Subscribed shares per participant (average)	86.8	88.6

employees with effect from 1 September each year, and the shares are subject to a three-year closed period.

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

8. PENSION SCHEMES

Baloise provides a range of pension solutions, which vary from country to country in line with local circumstances. In Switzerland it offers different pension schemes for its insurance and banking employees. They enable an employee or the employee's dependants to maintain a reasonable standard of living following the occurrence of an insured event (old age, disability or death).

The members of the Corporate Executive Committee are insured under the pension scheme run by Baloise Insurance Ltd. They are subject to the same terms and conditions as all other insured office-based members of staff. No contributions to vocational pension schemes are made for the Chairman or the other members of the Board of Directors.

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

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

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

10. RULES STIPULATED IN THE ARTICLES OF ASSOCIATION

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

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

www.baloise.com/rules-regulations

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

Please refer to the tables on pages 122 and 123.

BOARD OF DIRECTORS' FEES AND MANDATORY SHARE OWNERSHIP

	CHF thousand / year	of which shares in Bâloise Holding AG
Base fee – Chairman [1]	1,320	1 / 4
Base fee – Member	125	1 / 4
Fee – Vice-Chairman [2]	50	1 / 4
Fee – Chair of Committee [2]	70	1 / 4
Fee – Committee Member [2]	50	1 / 4
Mandatory share ownership		**1,000 shares each**

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

The members of the Board of Directors receive a fixed remuneration for their service as members of the board and its committees, as set out in the table above. These amounts provide appropriate compensation for the responsibility and workload involved in their various functions and have remained unchanged since 2008.

One quarter of the annual remuneration is paid in June of each year in the form of shares that remain restricted for three years. The subscription price is based on the closing price on the last trading day in May, on which the same 10 per cent discount is granted as on shares under the Share Subscription Plan (see pages 115 to 116). Until 2019, these shares were allocated in March (please refer to the accompanying table for details). With effect from 2020, the allocation has been moved to June because the composition of committees for the full year is known by this point. It is thus possible to ensure that members receive exactly one quarter of their fee in shares.

	Relevant closing price		Allocation	Subscription price
	as at	CHF	on	CHF
Shares received by members of the Board of Directors 2020	29 May 2020	136.60	1 Jun 2020	122.94
Shares received by members of the Board of Directors 2019	10 Jan 2019	143.80	1 Mar 2019	129.42

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.

The Chairman of the Board of Directors performs his various functions on a full-time basis, in return for which he is paid a fixed amount of remuneration. He is not entitled to any variable remuneration and, consequently, he receives no performance pool payments and no allocation of PSUs. He is paid roughly a quarter of his remuneration in the form of shares (closed period of five years). In January of each year, he can choose freely what proportion of this share-based remuneration he wishes to receive under the Share Participation Plan (closed period of three years, see page 116).

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

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

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

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

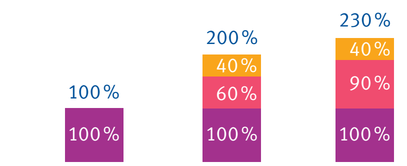
Please refer to the tables on pages 124 and 125.

The structure of remuneration paid to the Corporate Executive Committee is laid down in the Remuneration Policy. It comprises the basic salary, which is paid in cash, the variable remuneration and other compensation components (non-cash benefits, pension contributions). The total amount of remuneration is compared with the wider market at regular intervals (see pages 109 to 110). The actual level of remuneration paid is determined in accordance with the table below.

TYPE OF REMUNERATION	DECIDED BY
Fixed remuneration 2020	Annual General Meeting 2019
Variable remuneration 2020	
– cap	Annual General Meeting 2020
– individual payment	Remuneration Committee in February 2021 (in compliance with the cap set by the Annual General Meeting 2020)

The variable remuneration comprises the performance pool (short-term variable remuneration) and the performance share units (PSUs, long-term variable remuneration). The calculated expected value for variable remuneration is 100 per cent of the basic salary (made up of 60 per cent from the performance pool and 40 per cent in PSUs). In accordance with Article 32 of the Articles of Association, the maximum amount of variable remuneration that can be awarded in the event of an outstanding individual performance and very good corporate results is 130 per cent of the basic salary (made up of 90 per cent from the performance pool and 40 per cent in PSUs).

REMUNERATION STRUCTURE AND MANDATORY SHARE OWNERSHIP OF THE CORPORATE EXECUTIVE COMMITTEE



	Minimum remuneration	Expected value	Maximum remuneration
PSUs (allocation)	0 %	40 %	40 %
Performance pool	0 %	60 %	90 %
Basic salary	100 %	100 %	100 %
Mandatory share ownership	**Shares and PSUs equivalent to 200% of the basic salary (within three years of taking office)**		

This system takes account of applicable legislation in Switzerland. At the same time, it conforms with the European standard, which demands that variable remuneration should not exceed 100 per cent of the fixed remuneration (or up to 200 per cent if approved by the shareholders) under normal circumstances (Capital Requirements Directive IV). 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 compensation is paid in the form of deferred remuneration.

Each member of the Corporate Executive Committee is required to hold at least 200 per cent of their basic salary in free float or restricted shares or PSUs within a period of three years from the start of their term of office.

The Remuneration Committee decides on the short-term variable remuneration awarded to the individual members of the Corporate Executive Committee, based on proposals submitted to the committee from the Chairman of the Board of Directors for the Group CEO and from the Group CEO for the other members of the Corporate Executive Committee. The Committee discusses each individual member, assessing their performance during the year under review and any changes compared to the prior year. The allocation is based on (a) the individual's contribution to achieving the strategic targets and (b) the achievement of the individual targets, which are divided into three categories:

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

Please refer to pages 114 to 115 for details regarding the allocation of PSUs.

The remuneration paid to the members of the Corporate Executive Committee for the 2019 and 2020 financial years is set out on pages 124 to 125. The disclosure is made in accordance with the accrual principle. The table includes all forms of remuneration awarded for performance in each financial year even if individual components are not paid until a later date.

Due to the departure of Dr Thomas Sieber and the specification of a lower performance pool factor (2020: 90 per cent) than in the previous year (2019: 120 per cent), the total remuneration awarded to the Corporate Executive Committee was lower in 2020 than in the previous year (reduction of 14.5 per cent in the aggregate amount of basic salaries and variable remuneration).

The Annual General Meeting held on 26 April 2019 approved an amount of CHF 4.74 million for the fixed remuneration (including pension contributions) payable to the Corporate Executive Committee for 2020. The amount paid out was CHF 4.49 million.

In addition, the Annual General Meeting held on 24 April 2020 approved a maximum amount of CHF 5.15 million for the variable remuneration (including pension contributions and Share Subscription Plan discount) payable for 2020. The total amount paid out was CHF 3.56 million.

On 1 March 2020, the performance share units allocated in 2017 were converted into shares as scheduled. These PSUs had a value of CHF 1.08 million at the time of allocation. The actual value of the shares granted was CHF 1.61 million.

13. LOANS AND ADVANCES

Please refer to the table on page 126.

14. SHARES AND OPTIONS HELD

Please refer to the tables on pages 127 and 128.

15. AMOUNTS OF TOTAL REMUNERATION AND VARIABLE REMUNERATION

Please refer to the table on page 129.

As requested by circular 10 / 1 issued by the Swiss Financial Market Supervisory Authority on the subject of remuneration, Baloise has published in the table on page 129 the amounts of total remuneration and variable remuneration and has disclosed the total amounts of outstanding deferred remuneration and the inducement payments and severance packages granted. These figures include all forms of remuneration awarded for 2020 even if individual components are not paid until a later date.

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REMUNERATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS

2019	Basic fee	Fee for additional functions	Total remuneration	Pension benefits	Total	Of which: in shares
CHF thousand						
Dr Andreas Burckhardt	1,320.0		1,320.0	–	1,320.0	311.9
Chairman of the Board of Directors		–				
Dr Andreas Beerli	125.0		295.0	–	295.0	73.6
Vice-Chairman of the Board of Directors		50.0				
Chairman's Committee		50.0				
Chair of the Audit and Risk Committee		70.0				
Dr Georges-Antoine de Boccard (until 26 April 2019)	62.5		112.5	–	112.5	28.1
Investment Committee		25.0				
Remuneration Committee		25.0				
Christoph B. Gloor	125.0		225.0	6.0	231.0	56.2
Investment Committee		50.0				
Audit and Risk Committee		50.0				
Hugo Lasat	125.0		175.0	–	175.0	43.7
Investment Committee		50.0				
Christoph Mäder (since 26 April 2019)	83.3		116.7	5.7	122.3	–
Remuneration Committee		33.3				
Dr Markus R. Neuhaus (since 26 April 2019)	83.3		116.7	5.7	122.3	–
Audit and Risk Committee		33.3				
Dr Thomas von Planta	125.0		225.0	6.0	231.0	56.2
Chairman's Committee		50.0				
Audit and Risk Committee (until 26 April 2019)		16.7				
Investment Committee (since 26 April 2019)		33.3				
Thomas Pleines	125.0		245.0	9.5	254.5	61.2
Chair of the Remuneration Committee		70.0				
Chairman's Committee		50.0				
Prof. Dr Hans-Jörg Schmidt-Trenz	125.0		175.0	–	175.0	43.7
Remuneration Committee		50.0				
Prof. Dr Marie-Noëlle Venturi – Zen-Ruffinen	125.0		208.3	6.0	214.3	43.7
Audit and Risk Committee		50.0				
Remuneration Committee (since 26 April 2019)		33.3				
Subtotal for the Board of Directors	**2,424.2**	**790.0**	**3,214.2**	**38.8**	**3,253.0**	**718.4**
Share Subscription Plan discount					62.5	
Total for the Board of Directors					**3,315.5**	

The presentation of the remuneration paid to the members of the Board of Directors has been modified. All amounts are now stated in thousand CHF. The number of shares is no longer stated in this context because the number of unrestricted and restricted shares can be found in the table on page 127. The presentation of the prior-year figures has been adjusted accordingly.

Explanatory notes to the table
Prior to 2012, newly elected members of the Board of Directors only received six months' pay in the first calendar year; the first two months following election to the Board of Directors (May and June) were not remunerated. When members resigned from the Board of Directors, they received six months' pay instead of four months', thereby making up for the missing two months.
Since 2012, newly elected members of the Board of Directors receive a fee for the full eight months of their first calendar year and in the year of their resignation they are paid for just four months. Mr de Boccard was elected before this change and therefore on the payment date in March 2019 received the additional two months' remuneration from the year of his election on top of the four months' remuneration he was due for 2019.
Remuneration paid to former members and related parties No remuneration on a non-arm's-length basis was paid to companies or individuals that are related to members of the Board of Directors. Related parties are spouses or life partners; children under 18 years or dependent family members; companies owned or controlled by directors; individuals who act as trustees for them; children, relatives, companies and trustees of the spouse or life partner. No amounts receivable from these persons were waived.
Pension contributions The information disclosed for 2019 includes the contributions that the employer is required by law to pay into the state-run social security schemes (up to the pensionable or insurable threshold in each case). No contributions to vocational pension schemes are made for the Chairman or the other members of the Board of Directors.
Shares A proportion of the contractually agreed overall remuneration is paid in shares which remain restricted for three years. They are recognised at market value less 10 per cent (CHF 129.42, in line with the Share Subscription Plan).
In 2019, the Chairman of the Board of Directors received half of his share-based remuneration in shares from the Share Subscription Plan (with a closed period of five years instead of the usual three years) and half in shares under the Share Participation Plan (excluding loan-financed shares).
Share Subscription Plan discount Members of the Board of Directors receive a 10 per cent discount on the shares' market price. This discount is also reported as part of the overall remuneration.

REMUNERATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS

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

Explanatory notes to the table
Remuneration paid to former members and related parties No remuneration on a non-arm's-length basis was paid to companies or individuals that are related to members of the Board of Directors. Related parties are spouses or life partners; children under 18 years or dependent family members; companies owned or controlled by directors; individuals who act as trustees for them; children, relatives, companies and trustees of the spouse or life partner. No amounts receivable from these persons were waived.
Pension contributions The information disclosed for 2020 includes the contributions that the employer is required by law to pay into the state-run social security schemes (up to the pensionable or insurable threshold in each case). No contributions to vocational pension schemes are made for the Chairman or the other members of the Board of Directors.
Shares A proportion of the contractually agreed overall remuneration is paid in shares which remain restricted for three years. They are recognised at market value less 10 per cent (CHF 122.94, in line with the Share Subscription Plan).
In 2020, the Chairman of the Board of Directors received half of his share-based remuneration in shares from the Share Subscription Plan (with a closed period of five years instead of the usual three years) and half in shares under the Share Participation Plan (excluding loan-financed shares).
Share Subscription Plan discount Members of the Board of Directors receive a 10 per cent discount on the shares' market price. This discount is also reported as part of the overall remuneration.

REMUNERATION PAID TO THE MEMBERS OF THE CORPORATE EXECUTIVE COMMITTEE

2019	Basic salary	Variable remuneration					Total basic salary plus variable remuneration	Variable remuneration as percentage of basic salary	Non-cash benefits	Pension contributions	Total remuneration
	Cash payment (fixed)	Cash payment (variable)	Share Subscription Plan	Share Participation Plan	PSU (granted in 2019)	Total variable remuneration					
CHF thousand											
Gert De Winter	950.0	342.0	342.0	–	380.1	1,064.1	2,014.1	112%	–	196.5	2,210.6
Group CEO											
Michael Müller	700.0	50.5	453.5	–	280.1	784.1	1,484.1	112%	5.3	177.9	1,667.3
Head of Corporate Division Switzerland											
Dr Thomas Sieber	621.0	179.0	134.0	134.1	248.5	695.6	1,316.6	112%	5.3	196.5	1,518.4
Head of Corporate Division Corporate Centre											
Dr Carsten Stolz	500.0	135.0	135.0	–	200.0	470.0	970.0	94%	5.3	183.1	1,158.4
Head of Corporate Division Finance											
Dr Matthias Henny	500.0	0.1	215.9	144.0	200.0	560.0	1,060.0	112%	5.3	177.9	1,243.2
Head of Corporate Division Asset Management											
Dr Alexander Bockelmann (since 1 February 2019)	550.0	87.1	217.8	130.7	220.1	655.7	1,205.7	119%	–	177.9	1,383.6
Head of Corporate Division IT											
Subtotal for the Corporate Executive Committee	3,821.0	793.8	1,498.1	408.8	1,528.8	4,229.5	8,050.5	111%	21.3	1,109.8	9,181.5
Share Subscription Plan discount											166.5
Total for the Corporate Executive Committee											9,348.0

The presentation of the remuneration paid to the members of the Corporate Executive Committee has been modified. All amounts are now stated in thousand CHF. The number of shares is no longer stated in this context because the number of unrestricted and restricted shares can be found in the table on page 128. The presentation of the prior-year figures has been adjusted accordingly.

Explanatory notes to the table
Remuneration is disclosed in accordance with the accrual principle. The table includes all forms of remuneration awarded for performance in 2019 even if individual components are not paid until a later date. Amounts are gross, before deduction of social security contributions etc.
Remuneration paid to former members and related parties No remuneration on a non-arm's-length basis was paid to companies or individuals that are related to members of the Corporate Executive Committee. Related parties are spouses or life partners; children under 18 years or dependent family members; companies owned or controlled by directors; individuals who act as trustees for them; children, relatives, companies and trustees of the spouse or life partner. No amounts receivable from these persons were waived.
Share Subscription Plan Proportion of variable remuneration received directly as shares, which are measured at market value less 10 per cent markdown. Subscription price = CHF 158.40.
Share Subscription Plan discount Shares under the Share Subscription Plan are issued to members of the Corporate Executive Committee at a 10 per cent discount. This discount is also reported as part of the overall remuneration.
Share Participation Plan Proportion of variable remuneration received as shares (excluding loan-financed shares), which are measured at market value less dividend rights discounted over three years. Subscription price = CHF 156.46.
Performance share units (PSU) These have been disclosed at their value of CHF 167.65 at the grant date and measured using a Monte Carlo simulation, which calculates a present value for the payout expected at the end of the vesting period.
Non-cash benefits Based on all remuneration elements required to be declared on the Swiss salary certificate, including long-service awards, taxable benefits relating to shares received in connection with the Employee Incentive Plan (maximum of 100 shares per annum).
Pension benefits These comprise the estimated employer contributions to the state-run social security schemes and the occupational pension scheme (up to the pensionable or insurable threshold in each case).

REMUNERATION PAID TO THE MEMBERS OF THE CORPORATE EXECUTIVE COMMITTEE

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

Explanatory notes to the table
Remuneration is disclosed in accordance with the accrual principle. The table includes all forms of remuneration awarded for performance in 2020 even if individual components are not paid until a later date. Amounts are gross, before deduction of social security contributions etc.
Remuneration paid to former members and related parties No remuneration on a non-arm's-length basis was paid to companies or individuals that are related to members of the Corporate Executive Committee. Related parties are spouses or life partners; children under 18 years or dependent family members; companies owned or controlled by directors; individuals who act as trustees for them; children, relatives, companies and trustees of the spouse or life partner. No amounts receivable from these persons were waived.
Share Subscription Plan Proportion of variable remuneration received directly as shares, which are measured at market value less 10 per cent markdown. Subscription price = CHF 143.46.
Share Subscription Plan discount Shares under the Share Subscription Plan are issued to members of the Corporate Executive Committee at a 10 per cent discount. This discount is also reported as part of the overall remuneration.
Share Participation Plan Proportion of variable remuneration received as shares (excluding loan-financed shares), which are measured at market value less dividend rights discounted over three years. Subscription price = CHF 139.73.
Performance share units (PSU) These have been disclosed at their value of CHF 157.11 at the grant date and measured using a Monte Carlo simulation, which calculates a present value for the payout expected at the end of the vesting period.
Non-cash benefits Based on all remuneration elements required to be declared on the Swiss salary certificate, including long-service awards, taxable benefits relating to shares received in connection with the Employee Incentive Plan (maximum of 100 shares per annum).
Pension benefits These comprise the estimated employer contributions to the state-run social security schemes and the occupational pension scheme (up to the pensionable or insurable threshold in each case).

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

	Mortgages		Loans pertaining to the Share Participation Plan		Other loans		Total	
	2019	2020	2019	2020	2019	2020	2019	2020
CHF thousand								
Dr Andreas Burckhardt	–	–	2,623.4	2,623.5	–	–	2,623.4	2,623.5
Chairman								
Dr Andreas Beerli	–	–	–	–	–	–	–	–
Vice-Chairman								
Christoph B. Gloor	–	–	–	–	–	–	–	–
Member								
Hugo Lasat	–	–	–	–	–	–	–	–
Member								
Christoph Mäder (since 26 April 2019)	–	–	–	–	–	–	–	–
Member								
Dr Markus R. Neuhaus (since 26 April 2019)	–	–	–	–	–	–	–	–
Member								
Dr Thomas von Planta	–	–	–	–	–	–	–	–
Member								
Thomas Pleines	–	–	–	–	–	–	–	–
Member								
Prof. Dr Hans-Jörg Schmidt-Trenz	–	–	–	–	–	–	–	–
Member								
Prof. Dr Marie-Noëlle Venturi – Zen-Ruffinen	–	–	–	–	–	–	–	–
Member								
Total for the Board of Directors	–	–	2,623.4	2,623.5	–	–	2,623.4	2,623.5
Corporate Executive Committee member with the highest outstanding loan:								
Dr Matthias Henny	–	–	1,942.0	2,136.2	–	–	1,942.0	2,136.2
Head of Corporate Division Asset Management								
Other members of the Corporate Executive Committee	2,160.0	1,700.0	2,545.5	1,061.6	–	–	4,705.5	2,761.6
Total for the Corporate Executive Committee	2,160.0	1,700.0	4,487.4	3,197.8	–	–	6,647.4	4,897.8

The presentation of loans and advances granted to members of the Board of Directors and the Corporate Executive Committee has been modified. All amounts are now stated in thousand CHF. The presentation of the prior-year figures has been adjusted accordingly.

Explanatory notes to the table
Loans and credit facilities No loans or credit facilities were granted at non-market terms and conditions
a) to former members of the Board of Directors or Corporate Executive Committee;
b) to companies or individuals who are related to members of the Board of Directors and the Corporate Executive Committee. Related parties are spouses or life partners; children under 18 years or dependent family members; companies owned or controlled by directors; individuals who act as trustees for them; children, relatives, companies and trustees of the spouse or life partner.
Mortgages Mortgages of up to CHF 1 million are granted to staff at the following terms and conditions: 1 per cent below the customer interest rate for variable-rate mortgages and at a preferential interest rate for fixed-rate mortgages.
Loans associated with the Share Participation Plan Loans to increase the effect of the Share Participation Plan (see chapter 6. “Share Subscription Plan and Share Participation Plan”). Loans are subject to interest at a market rate (2020: 1 per cent) and have a term of three years.
Other loans There are no policy loans.

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

	Discretionary shares		Restricted shares		Total share ownership		Percentage of issued share capital	
	2019	2020	2019	2020	2019	2020	2019	2020
Quantity								
Dr Andreas Burckhardt	28,566	32,640	31,788	29,301	60,354	61,941	0.124 %	0.127 %
Chairman								
Dr Andreas Beerli	2,812	3,295	2,452	2,568	5,264	5,863	0.011 %	0.012 %
Member								
Christoph B. Gloor	8,093	8,576	2,317	2,291	10,410	10,867	0.021 %	0.022 %
Member								
Hugo Lasat	–	375	2,024	2,004	2,024	2,379	0.004 %	0.005 %
Member								
Christoph Mäder (since 26 April 2019)	733	733	1,000	1,355	1,733	2,088	0.004 %	0.004 %
Member								
Dr Markus R. Neuhaus (since 26 April 2019)	–	–	1,000	1,355	1,000	1,355	0.002 %	0.003 %
Member								
Dr Thomas von Planta	555	798	1,745	2,202	2,300	3,000	0.005 %	0.006 %
Member								
Thomas Pleines	2,145	2,671	2,434	2,406	4,579	5,077	0.009 %	0.010 %
Member								
Prof. Dr Hans-Jörg Schmidt-Trenz	–	–	1,338	1,693	1,338	1,693	0.003 %	0.003 %
Member								
Prof. Dr Marie-Noëlle Venturi – Zen-Ruffinen	–	375	2,024	2,106	2,024	2,481	0.004 %	0.005 %
Member								
Total for the Board of Directors	42,904	49,463	48,122	47,281	91,026	96,744	0.187 %	0.198 %
Percentage of issued share capital	0.088 %	0.101 %	0.099 %	0.097 %	0.187 %	0.198 %		

Explanatory notes to the table
Shareholdings Includes shares held by related parties (spouses or life partners; children under 18 years or dependent family members; companies owned or controlled by directors; individuals who act as trustees for them; children, relatives, companies and trustees of the spouse or life partner).
Restricted shares Shares received in connection with share-based remuneration programmes are subject to a closed period of three years. The closed period for shares received by the Chairman of the Board of Directors in connection with the Share Subscription Plan is five years. Article 20 of the Articles of Association also requires all members of the Board of Directors to lodge 1,000 shares with the Company for the duration of their term of appointment (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)	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Quantity										
Gert De Winter	22,875	29,593	7,125	6,591	30,000	36,184	0.061 %	0.074 %	7,809	7,225
Group CEO										
Michael Müller	21,662	26,698	8,125	8,477	29,787	35,175	0.061 %	0.072 %	5,351	5,325
Head of Corporate Division Switzerland										
Dr Thomas Sieber (until 31 August 2020)	9,058	–	24,511	–	33,569	–	0.069 %	–	4,918	–
Head of Corporate Division Corporate Centre										
Dr Carsten Stolz	1,453	3,006	5,654	6,012	7,107	9,018	0.015 %	0.018 %	3,245	3,803
Head of Corporate Division Finance										
Dr Matthias Henny	6,338	10,618	21,867	22,073	28,205	32,691	0.058 %	0.067 %	3,531	3,803
Head of Corporate Division Asset Management										
Dr Alexander Bockelmann (since 1 February 2019)	–	–	–	6,851	–	6,851	–	0.014 %	1,313	2,841
Head of Corporate Division IT										
Total for the members of the Corporate Executive Committee	**61,386**	**69,915**	**67,282**	**50,004**	**128,668**	**119,919**	**0.264 %**	**0.246 %**	**26,167**	**22,997**
Percentage of issued share capital	0.126 %	0.143 %	0.138 %	0.102 %	0.264 %	0.246 %				

Explanatory notes to the table
Shareholdings Includes shares held by related parties (spouses or life partners; children under 18 years or dependent family members; companies owned or controlled by directors; individuals who act as trustees for them; children, relatives, companies and trustees of the spouse or life partner).
Restricted shares Includes loan-financed shares connected with the Share Participation Plan. Shares received in connection with share-based remuneration programmes are subject to a closed period of three years.
Options Options held in connection with the Share Participation Plan are not reported here because they were written 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 2018, 1 March 2019 and 1 March 2020).

TOTAL AND VARIABLE REMUNERATION IN THE BALOISE GROUP

	2019				2020			
	Cash	Shares	Prospective entitlements	Total	Cash	Shares	Prospective entitlements	Total
CHF million								
Total remuneration	765.2	5.7	5.5	776.4	795.5	4.2	5.1	804.7
Total variable remuneration (total pool)	156.5	5.7	5.5	167.7	155.2	4.2	5.1	164.5
Number of beneficiaries	5,130	196	67		5,376	212	71	
Total outstanding deferred remuneration	–	119.7	15.2	134.9	–	112.0	15.2	127.2
Debits / credits for remuneration for previous reporting periods recognised in profit or loss	–0.3	–	–	–0.3	–0.9	–	–	–0.9
Total inducement payments made	0.0	–	–	0.0	0.1	–	–	0.1
Number of beneficiaries	4	–	–		12	–	–	
Total severance payments made	6.4	–	–	6.4	5.9	–	–	5.9
Number of beneficiaries	67	–	–		57	–	–	

Foreign currency amounts are now translated using the average exchange rate for the year (previously: closing rate on 31 December). In addition, the basis of data for remuneration data has been redefined for the companies in Switzerland. The prior-year data has been adjusted accordingly.

Explanatory notes to the table
The table includes all forms of remuneration awarded for each year even if individual components are not paid until a later date.
Total remuneration All taxable benefits that the financial institution provides to persons directly or indirectly for the work they have performed for it in connection with their employment or directorship. They include cash payments, non-cash benefits, expenditure that creates or increases entitlements to pension benefits, pensions, allotment of shareholdings, conversion rights and warrants, and debt waivers.
Variable remuneration Part of total remuneration, the amount or payment of which is at the discretion of the financial institution or which depends on the occurrence of agreed conditions. It includes performance-related and profit-based remuneration such as fees and commissions. Inducement and severance payments also fall under the definition of variable remuneration.
Total pool All the variable remuneration that a financial institution allocates for a year regardless of its form, any contractual undertaking in respect of grant dates or payout dates and any terms and conditions attached. Inducement and severance payments made in the relevant year should be included in the total pool.
Inducement payment One-off payment agreed when an employment contract is signed. Payments to compensate for lost entitlement to remuneration from a former employer also count as inducement pay. Inducement payments made in 2019 came to less than CHF 50,000 in total.
Severance payment Remuneration agreed in connection with the termination of an employment contract. Severance packages are paid only in individual justified cases and are granted only to management team members and to employees, but not to members of either the Board of Directors or the Corporate Executive Committee.

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To the General Meeting of
Bâloise Holding AG, Basel

Basle, 24 March 2021

Report of the statutory auditor on the remuneration report

We have audited the accompanying remuneration report of Bâloise Holding AG for the year ended 31 December 2020.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

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

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

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

Building a better working world

Opinion
In our opinion, the remuneration report for the year ended 31 December 2020 of Bâloise Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

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

This audit report is a translation of the audit report issued in German. Please also refer to the disclosure on page 317 “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

	Note	31.12.2019	31.12.2020
CHF million			
Assets			
Property, plant and equipment	8	362.8	466.2
Intangible assets	9	1,034.7	1,155.4
Investments in associates	38	387.4	263.4
Investment property	10	8,120.1	8,410.3
Financial instruments with characteristics of equity	11		
Available for sale		4,351.1	3,983.6
Recognised at fair value through profit or loss		11,881.8	12,556.2
Financial instruments with characteristics of liabilities	11		
Held to maturity		7,475.5	6,974.8
Available for sale		27,101.5	28,110.2
Recognised at fair value through profit or loss		2,172.0	1,993.8
Mortgages and loans	12		
Carried at cost		15,773.9	15,872.8
Recognised at fair value through profit or loss		1,039.1	1,142.1
Derivative financial instruments	13	1,048.1	1,089.1
Reinsurance assets	15	577.1	677.7
Receivables from reinsurers	16	51.3	117.8
Insurance receivables		498.9	515.6
Receivables from employee benefits	17	6.3	7.7
Other receivables	14	279.9	294.4
Receivables from investments	14	375.7	366.8
Deferred tax assets	18	97.4	87.9
Current income tax assets		74.5	48.3
Other assets	19	320.7	226.3
Cash and cash equivalents		3,988.0	4,004.0
Non-current assets and disposal groups classified as held for sale	20	–	–
Total assets		87,017.8	88,364.5

CHF million	Note	31.12.2019	31.12.2020
Equity and liabilities			
Equity			
Share capital	21	4.9	4.9
Capital reserves [1]		363.4	370.2
Treasury shares [1]		−490.5	−578.0
Unrealised gains and losses (net)		−3.2	203.7
Retained earnings		6,839.4	6,983.0
Equity before non-controlling interests		6,714.0	6,983.7
Non-controlling interests		1.6	2.0
Total equity		6,715.6	6,985.7
Liabilities			
Technical reserves (gross)	22	48,333.3	48,585.0
Liabilities arising from banking business and financial contracts	23		
With discretionary participation features		3,940.1	4,074.7
Measured at amortised cost		7,593.8	7,924.2
Recognised at fair value through profit or loss		13,006.5	13,284.6
Financial liabilities	24	2,368.0	2,363.3
Non-technical provisions	25	52.9	57.5
Derivative financial instruments	13	117.5	152.6
Insurance liabilities	26	1,807.5	1,879.9
Liabilities arising from employee benefits	17	1,294.1	1,340.2
Other accounts payable		668.0	566.2
Deferred tax liabilities	18	938.5	1,000.4
Current income tax liabilities		75.7	45.4
Other liabilities		106.5	104.9
Liabilities included in non-current assets and disposal groups classified as held for sale	20	–	–
Total liabilities		80,302.2	81,378.8
Total equity and liabilities		87,017.8	88,364.5

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

Consolidated income statement

	Note	2019	2020
CHF million			
Income			
Premiums earned and policy fees (gross)	27	7,571.3	7,034.8
Reinsurance premiums ceded	27	–241.5	–268.0
Premiums earned and policy fees (net)	27	7,329.8	6,766.8
Investment income	28	1,257.0	1,176.5
Realised gains and losses on investments			
For own account and at own risk	29	336.1	288.3
For the account and at risk of life insurance policyholders and third parties		1,709.5	179.5
Income from services rendered	30	126.0	118.5
Share of profit (loss) of associates		10.8	64.1
Other operating income	31	227.7	193.4
Income		10,996.9	8,787.0
Expense			
Claims and benefits paid (gross)		–6,090.4	–6,182.6
Change in technical reserves (gross)		–956.7	33.1
Reinsurers' share of claims incurred		117.0	236.4
Acquisition costs	32	–554.6	–581.3
Operating and administrative expenses for insurance business	32	–816.0	–831.6
Investment management expenses[1]	32	–108.1	–107.4
Interest expenses on insurance liabilities		–17.2	–15.2
Gains or losses on financial contracts	34	–1,388.0	–259.5
Other operating expenses[1]	32	–459.0	–476.1
Expense		–10,273.0	–8,184.1
Profit before borrowing costs and taxes		723.9	602.9
Borrowing costs	24	–37.7	–34.3
Profit before taxes		686.2	568.6
Income taxes	35	3.3	–140.3
Profit for the period		689.5	428.3
Attributable to:			
Shareholders		694.2	434.3
Non-controlling interests		–4.7	–6.1
Earnings / loss per share	36		
Basic (CHF)		15.02	9.65
Diluted (CHF)		14.99	9.63

1 The harmonisation of the recognition of investment administration costs caused a minor shift in the prior-year figures for other operating expenses and investment management expenses.

Consolidated statement of comprehensive income

	2019	2020
CHF million		
Profit for the period	689.5	428.3
Items not to be reclassified to the income statement		
Change in reserves arising from reclassification of investment property	–	–
Change in reserves arising from assets and liabilities of post-employment benefits (defined benefit plans)	−118.5	−58.7
Change arising from shadow accounting	40.4	33.1
Exchange differences	4.0	0.1
Deferred taxes	7.1	7.3
Total items not to be reclassified to the income statement	−67.1	−18.2
Items to be reclassified to the income statement		
Change in unrealised gains and losses on available-for-sale financial assets	1,366.1	386.8
Change in unrealised gains and losses on associates	4.4	−4.2
Change in hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	16.4	119.7
Change in reserves arising from reclassification of held-to-maturity financial assets	−0.8	−0.8
Change arising from shadow accounting	−518.7	−91.6
Exchange differences	−112.8	−134.8
Deferred taxes	−171.4	−50.1
Total items to be reclassified to the income statement	583.2	225.1
Other comprehensive income	516.1	206.9
Comprehensive income	1,205.6	635.2
Attributable to:		
Shareholders	1,210.3	641.3
Non-controlling interests	−4.7	−6.1

The prior-year figures in the statement of comprehensive income were adjusted slightly due to the more detailed presentation of exchange differences. Further details are provided under ‘other comprehensive income’ (chapter 37).

Consolidated cash flow statement

	Note	2019	2020
CHF million			
Cash flow from operating activities			
Profit before taxes		686.2	568.6
Adjustments for			
Depreciation, amortisation and impairment of property, plant and equipment and of intangible assets	8/9	90.8	97.1
Realised gains and losses on property, plant and equipment and on intangible assets		– 5.3	– 0.2
Income from investments in associates		– 8.7	– 19.8
Realised gains and losses on financial assets, investment property and associates		– 1,989.5	– 507.6
Amortised cost valuation of financial instruments		17.8	35.1
Share-based payments[1]		4.9	9.0
Change in assets and liabilities from operating acitivities			
Deferred Acquisition Costs	9	– 69.1	– 109.5
Technical reserves		839.5	– 84.4
Reinsurers' share of technical reserves		– 27.5	– 36.1
Receivables and liabilities arising from banking business and financial contracts		2,391.1	808.5
Receivables from investments		33.4	7.8
Receivables and liabilities arising from insurance business and from reinsurers		– 131.4	– 52.0
Change in other assets and other liabilities from operating acitivities[1]		100.3	– 36.9
Change in operating assets and liabilities			
Purchase of investment property	10	– 452.3	– 304.7
Sale of investment property	10	423.3	70.4
Purchase of financial assets of an equity nature		– 4,561.0	– 3,057.2
Sale of financial assets of an equity nature		4,995.4	2,683.0
Purchase of financial assets of a debt nature		– 6,821.6	– 6,015.6
Sale of financial assets of a debt nature		5,658.1	6,052.0
Addition of mortgages and loans		– 23,807.5	– 18,862.2
Disposal of mortgages and loans		23,359.2	18,733.5
Addition of derivative financial instruments		– 486.8	– 112.2
Disposal of derivative financial instruments		288.7	286.9
Borrowing costs	24	37.7	34.3
Taxes paid		– 121.0	– 106.9
Cash flow from operating activities		444.8	80.8

CHF million	Note	2019	2020
Cash flow from investing activities			
Purchase of property, plant and equipment	8	–31.1	–27.3
Sale of property, plant and equipment		19.5	1.0
Purchase of intangible assets	9	–50.9	–44.0
Sale of intangible assets		0.2	–
Acquisition of companies, net of cash and cash equivalents	38	–246.3	270.4
Disposal of companies, net of cash and cash equivalents	38	–6.6	–
Purchase of investments in associates		–175.9	–6.0
Sale of investments in associates		10.2	176.1
Dividends from associates		8.3	12.7
Cash flow from investing activities		–472.6	382.9
Cash flow from financing activities			
Additions to financial liabilities	24	754.5	299.7
Disposals of financial liabilities	24	–175.0	–300.0
Borrowing costs paid	24	–38.1	–36.7
Repayments of principal in connection with leases	24	–16.7	–16.9
Purchase of treasury shares [1]		–271.7	–158.0
Sale of treasury shares		79.1	68.2
Cash flow attributable to non-controlling interests		–0.5	–0.4
Dividends paid		–278.6	–287.4
Cash flow from financing activities		52.9	–431.5
Total cash flow		25.1	32.3
Cash and cash equivalents			
Balance as at 1 January		4,036.1	3,988.0
Change during the financial year		25.1	32.3
Effect of changes in exchange rates on cash and cash equivalents		–73.2	–16.3
Balance as at 31 December		3,988.0	4,004.0
Breakdown of cash and cash equivalents at the balance sheet date			
Cash and bank balances		2,412.6	2,590.0
Cash equivalents		0.0	0.1
Cash and cash equivalents for the account and at the risk of life insurance policyholders		1,575.4	1,413.9
Balance as at 31 December		3,988.0	4,004.0
Of which: restricted cash and cash equivalents		123.7	107.2
Supplemental disclosures on cash flow from operating activities			
Interest received		638.3	618.4
Dividends received		59.0	35.9
Interest paid		–23.8	–21.9

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

Consolidated statement of changes in equity

2019	Note	Share capital	Capital reserves	Treasury shares	Other changes in equity	Retained earnings	Equity before non-controlling interests	Non-controlling interests	Total equity
CHF million									
Balance as at 1 January		4.9	352.3	– 291.8	– 515.4	6,420.5	5,970.6	37.6	6,008.2
Profit for the period		–	–	–	–	694.2	694.2	– 4.7	689.5
Other comprehensive income	37	–	–	–	516.1	–	516.1	0.1	516.1
Comprehensive income		–	–	–	516.1	694.2	1,210.3	– 4.7	1,205.6
Other changes in equity									
Dividend		–	–	–	–	– 278.6	– 278.6	– 0.5	– 279.1
Capital increase / repayment	21	–	–	–	–	–	–	–	–
Purchase of treasury shares [1]		–	– 31.7	– 240.0	–	–	– 271.7	–	– 271.7
Sale of treasury shares		–	34.1	45.0	–	–	79.1	–	79.1
Share-based payments [1]		–	4.9	–	–	–	4.9	–	4.9
Allocation of treasury shares as part of share-based remuneration programmes [1]		–	– 5.1	5.1	–	–	0.0	–	0.0
Cancellation of (treasury) shares		–	–	–	–	–	–	–	–
Increase / decrease in non-controlling interests due to change in the scope of consolidation		–	–	–	–	–	–	– 0.3	– 0.3
Increase / decrease in non-controlling interests due to change in the percentage of shareholding		–	–	–	–	–	–	– 30.4	– 30.4
Reclassification from revaluation reserve		–	–	–	– 3.9	3.9	–	–	–
Other [1]		–	8.9	– 8.7	–	– 0.7	– 0.7	–	– 0.7
Balance as at 31 December		4.9	363.4	– 490.5	– 3.2	6,839.4	6,714.0	1.6	6,715.6

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

2020	Note	Share capital	Capital reserves	Treasury shares	Other changes in equity	Retained earnings	Equity before non-controlling interests	Non-controlling interests	Total equity
CHF million									
Balance as at 1 January		4.9	363.4	– 490.5	– 3.2	6,839.4	6,714.0	1.6	6,715.6
Profit for the period		–	–	–	–	434.3	434.3	– 6.1	428.3
Other comprehensive income	37	–	–	–	206.9	–	206.9	0.0	206.9
Comprehensive income		–	–	–	206.9	434.3	641.3	– 6.1	635.2
Other changes in equity									
Dividend		–	–	–	–	– 287.4	– 287.4	– 0.4	– 287.8
Capital increase / repayment	21	–	–	–	–	–	–	–	–
Purchase of treasury shares		–	– 17.5	– 140.5	–	–	– 158.0	–	– 158.0
Sale of treasury shares		–	25.6	42.6	–	–	68.2	–	68.2
Share-based payments		–	9.0	–	–	–	9.0	–	9.0
Allocation of treasury shares as part of share-based remuneration programmes		–	– 10.3	10.3	–	–	–	–	–
Cancellation of (treasury) shares		–	–	–	–	–	–	–	–
Increase / decrease in non-controlling interests due to change in the scope of consolidation		–	–	–	–	–	–	0.4	0.4
Increase / decrease in non-controlling interests due to change in the percentage of shareholding		–	–	–	–	–	–	6.4	6.4
Reclassification from revaluation reserve		–	–	–	–	–	–	–	–
Other		–	–	–	–	– 3.3	– 3.3	–	– 3.3
Balance as at 31 December		4.9	370.2	– 578.0	203.7	6,983.0	6,983.7	2.0	6,985.7

Notes to the consolidated annual financial statements
Basis of presentation

1. BASIS OF PREPARATION

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

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

At its meeting on 24 March 2021 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 4.20 F b) are, firstly, Baloise's assignment to the STOXX Europe 600 Insurance Index under stock-market law and, secondly, Bâloise Holding AG's regulatory categorisation by FINMA as an insurance group.

By opting to apply the temporary exemption, the Baloise Group is adopting the deferral approach, which enables it to adopt IFRS 9 and IFRS 17 simultaneously with effect from 1 January 2023. Until these standards are adopted, there will be no effect on profit for the period or on balance sheet line items.

FINANCIAL ASSETS FOR OWN ACCOUNT AND AT OWN RISK

	Voluntarily measured at amortised cost or fair value through other comprehensive income under IFRS 9			Mandatorily measured at fair value through profit or loss under IFRS 9		
	Carrying amount	Fair value	Change in fair value balance compared with	Carrying amount	Fair value	Change in fair value balance compared with
31.12.	2020	2020	2019	2020	2020	2019
CHF million						
Financial instruments with characteristics of equity						
Equities	–	–	–	1,952.7	1,952.7	– 142.4
Equity funds	–	–	–	86.6	86.6	2.3
Mixed funds	–	–	–	671.8	671.8	135.5
Bond funds	–	–	–	158.8	158.8	– 30.1
Real estate funds	–	–	–	704.7	704.7	32.7
Private equity	–	–	–	906.7	906.7	– 3.3
Hedge funds	–	–	–	4.7	4.7	– 188.1
Financial instruments with characteristics of liabilities						
Public corporations	19,738.2	21,413.8	263.6	–	–	– 10.9
Industrial enterprises	7,805.6	7,805.6	857.6	27.5	27.5	– 105.7
Financial institutions	7,103.2	7,181.8	– 660.5	128.8	128.8	– 8.6
Other	288.9	289.5	278.7	–	–	–
Mortgages and loans						
Mortgages	11,250.6	11,704.5	181.7	–	–	–
Promissory notes and registered bonds	4,023.7	4,521.4	– 182.7	1.1	1.2	– 8.9
Time deposits	615.8	615.9	– 437.7	–	–	–
Employee loans	29.1	29.7	1.4	–	–	–
Reverse repurchase agreements	725.0	725.0	725.0	–	–	–
Other loans	213.0	220.0	12.8	9.1	9.2	– 6.6
Derivative financial instruments						
Interest rate instruments	–	–	– 54.6	410.7	410.7	144.3
Equity instruments	–	–	–	33.2	33.2	0.3
Foreign currency instruments	–	–	–	49.3	49.3	– 66.5
Receivables						
Receivables from financial contracts	–	–	–	–	–	–
Other receivables	294.4	295.7	13.8	–	–	–
Receivables from investments	366.8	366.8	– 8.9	–	–	–
Cash and cash equivalents	2,590.1	2,590.1	177.5	–	–	–

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 31.12.2020	AAA	AA	A	BBB	Lower than BBB or no rating	Carrying amount	Impairment	Fair Value lower than BBB or no rating
CHF million								
Financial assets of a debt nature								
Public corporations	6,208.2	9,156.5	2,294.8	1,769.1	309.7	19,738.2	–	309.7
Industrial enterprises	138.9	728.7	2,791.2	2,309.1	1,837.7	7,805.6	–19.6	1,837.7
Financial institutions	4,447.0	540.2	1,256.0	653.1	206.8	7,103.2	–6.5	206.8
Other	–	10.0	–	–	278.9	288.9	–	278.9
Mortgages and loans								
Mortgages	100.4	1,110.2	9,064.1	907.1	68.8	11,250.6	–18.5	75.2
Promissory notes and registered bonds	1,638.8	2,127.8	43.0	60.7	153.4	4,023.7	–	161.5
Time deposits	–	92.0	–	51.9	471.8	615.8	–	472.0
Employee loans	–	–	–	–	29.1	29.1	0.0	29.7
Reverse repurchase agreements	–	–	–	–	725.0	725.0	–	725.0
Other loans	2.7	30.0	125.4	24.6	30.2	213.0	–1.2	32.3
Other receivables								
Other receivables	3.9	14.5	63.7	10.9	201.3	294.4	–1.2	201.3
Receivables from investments	117.9	111.3	42.0	35.7	59.9	366.8	–1.6	59.9
Cash and cash equivalents	1,338.4	350.7	682.4	62.0	156.6	2,590.1	–	156.6

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

2.2 IFRSs and interpretations not yet applied

The following new standards and interpretations relevant to the Baloise Group have been published by the IA SB but have not yet come into effect and, therefore, have not been applied in the 2020 consolidated annual financial statements:

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

IFRS 9 Financial Instruments

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

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

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

IFRS 17 Insurance Contracts

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

IFRS 17 was published in May 2017 and is required to be applied for annual periods beginning on or after 1 January 2023. IFRS 17 affects the way in which insurance contracts are reported. The most important changes relate to the methodology for measuring contracts. Until now, they have been measured primarily in accordance with past developments and on the basis of data that was available at the start of the contracts. Analysis will now have a stronger focus on the future, with assessments based on potential cash flows. Life insurance contracts, which may have a term of several decades, will be particularly affected.

The Baloise Group has started a Group-wide project for the implementation of IFRS 17. It is too early to comment on the potential impact on the consolidated financial statements.

3. CONSOLIDATION PRINCIPLES AND ACCOUNTING POLICIES

3.1 Method of consolidation

3.1.1 Subsidiaries

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

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

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

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

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

3.1.2 Structured entities

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

3.1.3 Joint arrangements

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

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

3.1.4 Associates

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

3.2 Currency translation

3.2.1 Functional currency and reporting currency

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

3.2.2 Translation of transaction currency into functional currency at Group companies

Income and expenses in foreign currency are measured using the rates applicable on the transaction date. Non-monetary items measured at historical cost are measured using historical rates. Monetary and non-monetary balance sheet line items measured at fair value that arise in Group companies' foreign-currency transactions are measured using closing rates.

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

3.2.3 Translation of functional currency into reporting currency

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

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

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

3.2.4 Key exchange rates

CURRENCY

	Balance sheet		Income statement	
	31.12.2019	31.12.2020	Ø 2019	Ø 2020
CHF				
1 EUR (euro)	1.09	1.08	1.11	1.07
1 USD (US dollar)	0.97	0.89	0.99	0.94

3.3 Property, plant and equipment

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

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

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

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

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

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

3.4 Leases

3.4.1 The Baloise Group as a lessee

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

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

3.4.2 The Baloise Group as a lessor

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

3.5 Intangible assets

3.5.1 Goodwill

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

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

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

3.5.3 Deferred acquisition costs (DACs)

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

3.5.4 Software and other intangible assets

In addition to software (including internally developed assets), other intangible assets primarily comprise external IT consultancy (in connection with software development) and identified assets from business acquisitions (e.g. brands, customer relationships). Both software and other intangible assets are recognised at cost and amortised over their useful life using the straight-line method. Software has a maximum useful life of ten years. Intangible assets with indefinite useful lives are not amortised and are carried at cost less accumulated impairment losses.

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

3.6 Investment property

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

3.7 Financial assets

The term “investments” (Kapitalanlagen in German) is used in some places and headings in the Financial Report for clarity’s sake. The term “investments” as used in the Financial Report covers financial assets, mortgages and loans, derivative financial instruments, cash, cash equivalents and investment property.

The following asset classes are reported as financial instruments with characteristics of equity: shares, share certificates, units in funds investing in equities, bonds, precious metals or real estate and alternative financial assets such as private equity investments and hedge funds. Financial instruments with characteristics of equity are generally more frequently exposed to price volatility than financial instruments with characteristics of liabilities.

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

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

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

3.7.1 Financial assets recognised at fair value through profit or loss

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

3.7.2 Held-to-maturity financial assets

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

3.7.3 Available-for-sale financial assets

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

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

3.7.4 Recognition, measurement and derecognition

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

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

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

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

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

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

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

3.8 Mortgages and loans

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

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

3.9 Receivables

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

3.10 Permanent impairment

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

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

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

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

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

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

3.10.2 Financial assets measured at fair value

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

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

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

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

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

3.10.3 Impairment losses on non-financial assets

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

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

3.11 Derivative financial instruments

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

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

3.11.1 Structured products

Structured products are financial instruments whose repayment value depends on the performance of one or more underlying instruments (such as equities, interest rates or currencies). Structured products contain embedded derivatives in addition to the underlying instruments. Provided that the economic characteristics and risks of the embedded derivative differ from those of the host contract and that this derivative qualifies as a derivative financial instrument, the embedded derivative is bifurcated from the host contract and is separately recognised, measured and disclosed. If the derivative and the host contract are not bifurcated, the structured product is designated as a host contract that is recognised at fair value through profit or loss.

3.11.2 Fair value hedges

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

3.11.3 Cash flow hedges

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

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

3.11.4 Hedges of a net investment in a foreign operation

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

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

3.11.5 Derivative financial instruments that do not qualify as hedges

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

3.12 Netting of receivables and liabilities

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

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

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

Details of discontinued operations – if applicable – are disclosed in chapter 20.

3.14 Other assets

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

3.15 Cash and cash equivalents

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

3.16 Equity

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

3.16.1 Share capital

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

3.16.2 Capital reserves

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

3.16.3 Treasury shares

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

3.16.4 Unrealised gains and losses (net)

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

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

3.16.5 Retained earnings

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

3.16.6 Non-controlling interests

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

3.17 Insurance contracts

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

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

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

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

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

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

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

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

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

3.18 Non-life insurance contracts

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

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

3.18.1 Premiums

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

3.18.2 Claims reserve including claims handling costs

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

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

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

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

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

3.18.3 Policyholders' dividends and participation in profits

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

3.18.4 Liability adequacy test (LAT)

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

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

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

3.19 Life insurance contracts and financial contracts with discretionary participation features

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

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

3.19.1 General accounting policies

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

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

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

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

3.19.3 Deferral of acquisition costs

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

3.19.4 Unearned revenue reserve (URR)

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

3.19.5 Policyholders’ dividends

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

Surpluses are reimbursed in the form of increased benefits, reduced premiums or final policyholders’ dividends or are accrued at interest to a surplus account. Surpluses already distributed and accrued at interest are reported as policyholders’ dividends credited and reserves for future policyholders’ dividends (chapter 22). The relevant interest expense is reported as interest expenses on insurance liabilities. Surpluses that have been used to finance an increase in insurance benefits are recognised in actuarial reserves. All investment income derived from unit-linked life insurance contracts is credited to the policyholder.

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

When accounting for contracts that contain discretionary participation features, the Baloise Group treats measurement differences that are attributable to such contracts and are credited to policyholders according to a legal or contractual minimum quota as a DPF component. Distributable retained earnings and eligible unrealised gains and losses of fully consolidated subsidiaries are allocated pro rata to the DPF components of the life insurance company concerned. The DPF component calculated in this way is reported as part of the reserves for future policyholders’ dividends (chapter 22). These reserves include policyholders’ dividends that are unallocated and have been set aside as a reserve under local accounting standards.

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

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

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

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

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

3.20 Reinsurance

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

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

Outward reinsurance is the business ceded to insurance companies outside the Baloise Group and includes transactions ceded from direct life and non-life business and from inward insurance.

Assets arising from outward reinsurance are calculated over the same periods and on the same basis as the original transaction and are reported as reinsurance assets (chapter 15). Impairment losses are recognised in profit or loss for assets deemed to be at risk owing to the impending threat of insolvency.

3.21 Liabilities arising from banking business and financial contracts

3.21.1 With discretionary participation features

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

3.21.2 Measured at amortised cost

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

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

3.21.3 Recognised at fair value through profit or loss

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

3.22 Financial liabilities

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

Financial liabilities are initially measured at their acquisition cost (fair value). Acquisition cost includes transaction costs. The difference between acquisition cost and redemption value is recognised in profit or loss over the term of the liability as borrowing costs under the amortised-cost method and the effective interest method.

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

3.23 Employee benefits

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

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

3.23.1 Post-employment benefits

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

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

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

3.23.2 Share-based payments

The Baloise Group offers its employees and management team members the chance to participate in various plans under which shares are granted as part of their overall remuneration packages: the Employee Incentive Plan, the Share Subscription Plan and the Share Participation Plan as well as Performance share units (PSU). The PSU programme and the Employee Incentive Plan are equity-settled share-based payment plans. By contrast, the Share Subscription Plan and the Share Participation Plan are share-based payment plans with a choice of settlement.

In addition, FRIDAY Insurance S.A. offers its employees a Phantom Stock Option Programme (PSOP), which is a cash-settled remuneration programme. This plan has been dissolved early with effect from 31 December 2020 and will be replaced with a new equity-settled plan from 1 January 2021.

Equity-settled and cash-settled plans, as well as plans with a choice of settlement method, are measured and disclosed in compliance with IFRS 2 Share-based Payment. Equity-settled plans are measured at fair value on the grant date and are charged as personnel expenses during the vesting period and recognised under equity. Until the vesting period, outstanding (cash-settled) PSOPs are measured at fair value through profit or loss on every balance sheet date.

3.24 Non-technical provisions

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

3.25 Taxes

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

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

3.26 Revenue recognition

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

3.26.1 Income from services rendered

Income from services rendered is recognised over a period of time, because the customer receives the benefit of the service provided by the Baloise Group while he or she is using it.

3.26.2 Interest income

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

3.26.3 Dividend income

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

4. KEY ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

4.1 Fair value of various balance sheet line items

Where available, prices in active markets are used to determine fair value. If no publicly quoted prices are available or if the market is judged to be inactive, fair value is either estimated based on the present value or is determined using measurement methods. These methods are influenced to a large extent by the assumptions used, which include discount rates and estimates of future cash flows. The Baloise Group primarily uses fair values; if no such values are available, it applies its own models. Detailed information about fair value measurement can be found in chapter 5.7.

The following asset classes and financial liabilities are measured at fair value:

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

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

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

If – contrary to its original intention – these financial instruments are not held to maturity (with the exception of specific circumstances such as the disposal of minor investments), the Baloise Group must reclassify all held-to-maturity financial instruments as “available for sale” and measure them at fair value. Chapter 11 contains information on the fair values of the financial instruments with characteristics of liabilities that are classified as “held to maturity”.

4.3 Impairment

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

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

  Analysts’ reports from banks and evaluations by credit rating agencies are also used to assess the need for impairment losses
- Mortgages and loans (carried at cost)
  The mortgage portfolio is regularly tested for impairment. The methods and assumptions used in these tests are also regularly reviewed in order to minimise any discrepancies between the actual and expected probabilities of default.

4.4 Deferred taxes

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

4.5 Estimate uncertainties specific to insurance

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

4.6 Non-technical provisions

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

4.7 Employee benefits

In calculating its defined benefit obligations towards its employees, the Baloise Group makes assumptions about the expected return on plan assets, the economic benefits embodied in assets, future increases in salaries and pension benefits, the discount rate applicable and other parameters. The most important assumptions are derived from past experience of making estimates. The assumptions factored into these calculations are discussed in chapter 17.2.7.

4.8 Goodwill impairment

Goodwill is tested for impairment in the second half of each year or whenever there is objective evidence of impairment. Such impairment tests involve calculating a value in use that is largely based on estimates such as the financial planning approved by management and the discount rates and growth rates mentioned in chapter 9.1.

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5. MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

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

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

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

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

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

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

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

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

5.1 Organisation of risk management in the Baloise Group

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

A comprehensive Group-wide risk management system is in place in all insurance units and the banking business in order to manage these risks. Its Group-wide Risk Management Standards focus on the following areas:

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

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

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

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

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

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

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

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

Business-environment risk, operational risk and management and information risk arise as direct or indirect results of the business operations, business environment or strategic activities of each company. Risks of this type are also 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. The relevant risk owners and risk controllers verify the figures that have been computed and incorporate them into their management decisions.

An annual reporting is undertaken for each identified risk category. To this end, each business unit compiles an ORSA (Own Risk and Solvency Assessment) report.

5.2 Life and non-life underwriting strategies

The Baloise Group primarily underwrites insurance risk for private individuals and small and medium-sized enterprises in selected countries in mainland Europe. Industrial insurance in the property and third-party liability, marine and technical insurance sectors is largely provided by Baloise Insurance in Basel and in Bad Homburg (Germany) and by our Belgian business unit Baloise Insurance Belgium.

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

For its exposure to natural hazards the Baloise Group has purchased reinsurance cover for the whole Group amounting to CHF 500 million. In addition, Basler Switzerland purchased reinsurance cover of up to CHF 800 million for earthquakes and Baloise Belgium purchased reinsurance cover of up to CHF 700 million for storm and tempests.

RISK MAP

Business Risks

Actuarial Risks Life

- Parameter Risks
- Catastrophe Risks

Actuarial Risks Non-Life

- Premiums
- Claims
- Catastrophe Risks
- Reserving

Reinsurance

- Premiums / Pricing
- Reinsurance Default
- Active Reinsurance

Investment Risks

Market Risks

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

Credit Risks

Financial Structure Risks

Asset-Liability Risks

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

Risk Concentration

- Accumulation Risks
- Cluster Risks

Balance Sheet Structure and Capital Requirements

- Solvency
- Other Regulatory Requirements

Business Environment Risks

Change in Standards

Competition Risks

External Events

Investors

Operational Risks

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

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

Legal Risks
- Contracts
- Liability and Litigations
- Tax

Compliance

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

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

Leadership and Information Risks

Organizational Structure

Corporate Culture

Business Strategy
- Business Portfolio
- Risk Steering
- Sustainability

Merger and Acquisitions

External Communication
- External Reporting
- Reputation Management

Financial Statements, Forecast, Planning

Project Portfolio

Internal Misinformation

5.3 Life and non-life reinsurance strategies

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

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

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

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

5.4 Non-Life

5.4.1 Actuarial risk

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

5.4.2 Assumptions

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

5.4.3 Changes to assumptions

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

5.4.4 Sensitivity analysis

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

At the end of 2020, the Baloise Group's total reserves calculated using actuarial methods or recognised separately for special claims (including large claims but not run-off or actuarial reserves for annuities) amounted to CHF 4,600.6 million (2019: CHF 4,392.4 million). A variation of 10 per cent in either direction in the requirement for these reserves would result in a rise or fall of around CHF 356.9 million (2019: CHF 341.8 million) in claims payments (after taxes) before reinsurance.

Baloise's run-off portfolio consisted of two subportfolios: an older portfolio with reserves, the majority of which comprise obligations that the Baloise Group entered into up to the start of the 1990s in the London market, and a portfolio formed in 2018 for the hospital liability business in Germany. The sensitivities of the two portfolios are analysed separately.

The "London market" portfolio is mainly affected by liability claims relating to asbestos and environmental damage. Because of the long settlement period, there is a high degree of uncertainty associated with the calculation of these claims reserves. Both the timing at which cases of this type are identified and their potential loss level are much less certain than any other established claims patterns. Some reserves were calculated using external actuaries' reports in which best-case and worst-case scenarios were analysed. The Baloise Group's minimum reserves policy is based on the average of these two scenarios. It is particularly difficult to assess the level of reserves required for IBNR claims, so further fluctuations cannot be ruled out. According to expert estimates, fluctuations of around 10 per cent can be expected, which is equivalent to around CHF 2.7 million after taxes and before reinsurance (2019: CHF 3.0 million) for this reserve.

The hospital liability business in Germany was discontinued in 2018 and transferred to the Group's run-off portfolio. In the calculation of claims reserves for this portfolio, Baloise is guided by the relevant study from 2017 published by the German Insurance Association (GDV) because it has insufficient claims data of its own. The current gross claims reserves (excluding actuarial reserves for annuities) amount to CHF 263.0 million (2019: CHF 278.1 million). The constantly changing level of claims in this sector makes it extremely difficult to estimate the total expense. However, assuming variation of 10 per cent (as used for the other part of the run-off), the effect would be around CHF 18.2 million after taxes and before reinsurance (2019: CHF 19.3 million).

5.4.5 Claims settlement

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

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

ESTIMATED CUMULATIVE CLAIMS INCURRED IN SWITZERLAND

	Year in which the claims occurred										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
CHF million											
At the end of the year in which the claims occurred	777.9	732.2	768.5	733.6	707.8	704.8	729.5	759.4	761.7	861.4	–
One year later	736.5	751.1	768.2	715.7	667.8	689.5	728.9	762.6	761.7	–	–
Two years later	731.0	736.9	764.1	701.2	657.6	675.0	707.4	754.0	–	–	–
Three years later	729.1	726.3	764.7	695.9	650.9	673.0	708.2	–	–	–	–
Four years later	722.7	717.0	756.3	688.5	646.0	669.1	–	–	–	–	–
Five years later	717.3	710.5	752.1	681.2	643.9	–	–	–	–	–	–
Six years later	701.6	705.9	752.3	678.4	–	–	–	–	–	–	–
Seven years later	701.2	698.2	743.8	–	–	–	–	–	–	–	–
Eight years later	692.0	685.1	–	–	–	–	–	–	–	–	–
Nine years later	679.7	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	679.7	685.1	743.8	678.4	643.9	669.1	708.2	754.0	761.7	861.4	7,185.3
Claims paid	–638.9	–645.5	–688.9	–622.6	–586.5	–616.0	–641.7	–668.2	–645.0	–496.6	–6,249.9
Gross claims reserves	40.8	39.6	54.9	55.8	57.4	53.1	66.5	85.8	116.7	364.8	935.4
Gross claims reserves prior to 2011 (including large claims and assumed business)											400.1
Gross provision for annuities (non-life, including IBNR)											714.3
Reinsurers' share											–92.5
Net claims reserves											1,957.3

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

ESTIMATED CUMULATIVE CLAIMS INCURRED IN GERMANY

	Year in which the claims occurred										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
EUR million											
At the end of the year in which the claims occurred	290.8	297.4	367.7	306.0	303.2	318.6	340.5	345.5	325.1	336.0	–
One year later	297.6	298.4	370.3	316.1	304.9	314.3	331.2	335.7	325.7	–	–
Two years later	300.9	302.5	371.0	319.9	304.5	313.6	327.8	332.6	–	–	–
Three years later	306.6	304.3	379.3	320.4	301.4	307.4	322.4	–	–	–	–
Four years later	309.8	302.6	379.8	314.5	301.8	305.4	–	–	–	–	–
Five years later	311.7	303.2	380.8	313.3	301.8	–	–	–	–	–	–
Six years later	311.3	302.9	377.9	311.8	–	–	–	–	–	–	–
Seven years later	310.1	302.6	376.3	–	–	–	–	–	–	–	–
Eight years later	309.8	302.2	–	–	–	–	–	–	–	–	–
Nine years later	308.8	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	308.8	302.2	376.3	311.8	301.8	305.4	322.4	332.6	325.7	336.0	3,223.0
Claims paid	–302.6	–294.9	–367.7	–298.8	–287.1	–289.3	–296.1	–290.8	–258.8	–152.8	–2,838.9
Gross claims reserves	6.2	7.3	8.6	13.0	14.7	16.1	26.3	41.8	66.9	183.2	384.1
Gross claims reserves prior to 2011 (including large claims and assumed business)											242.2
Gross provision for annuities (non-life, including IBNR)											136.5
Reinsurers' share											–153.9
Net claims reserves											608.8

ESTIMATED CUMULATIVE CLAIMS INCURRED IN BELGIUM

	Year in which the claims occurred										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
EUR million											
At the end of the year in which the claims occurred	308.7	[1] 412.4	[2] 403.6	483.7	459.9	470.3	446.8	495.0	[3] 643.8	[4] 682.3	–
One year later	[1] 395.1	[2] 426.5	402.5	494.3	476.0	478.9	483.9	[3] 580.8	[4] 684.0	–	–
Two years later	[2] 392.2	421.9	398.0	488.7	480.7	470.5	[3] 527.2	[4] 592.3	–	–	–
Three years later	387.9	412.9	396.7	483.4	478.9	[3] 493.3	[4] 526.6	–	–	–	–
Four years later	392.5	410.7	394.4	479.1	[3] 491.9	[4] 511.4	–	–	–	–	–
Five years later	388.6	416.9	388.2	[3] 486.4	[4] 499.8	–	–	–	–	–	–
Six years later	387.1	417.5	[3] 395.2	[4] 493.3	–	–	–	–	–	–	–
Seven years later	374.4	[3] 431.5	[4] 404.1	–	–	–	–	–	–	–	–
Eight years later	[3] 384.7	[4] 444.4	–	–	–	–	–	–	–	–	–
Nine years later	[4] 395.2	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	395.2	444.4	404.1	493.3	499.8	511.4	526.6	592.3	684.0	682.3	5,233.5
Claims paid	–345.1	–376.0	–362.8	–442.3	–405.1	–420.5	–412.3	–444.5	–495.4	–319.4	–4,023.5
Gross claims reserves	50.1	68.4	41.3	51.0	94.7	90.9	114.3	147.8	188.6	362.9	1,210.0
Gross claims reserves prior to 2011 (including large claims and assumed business)											530.3
Gross provision for annuities (non-life, including IBNR)											267.1
Reinsurers' share											–476.2
Net claims reserves											1,531.2

1 The increase in the total estimated claims incurred is primarily due to the addition of Avéro Schadevezekering Benelux NV.
2 The increase in the total estimated claims incurred is primarily due to the addition of Nateus NV and Audi NV.
3 The increase in the total estimated claims incurred is primarily due to the addition of Fidea NV.
4 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										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
EUR million											
At the end of the year in which the claims occurred	23.6	24.0	23.6	[1] 36.8	[2] 43.8	49.8	49.6	50.3	50.3	42.0	–
One year later	22.7	24.5	[1] 37.8	[2] 40.8	44.0	47.2	46.3	50.6	49.9	–	–
Two years later	22.6	[1] 36.5	[2] 41.2	40.5	44.3	46.3	46.0	50.1	–	–	–
Three years later	[1] 35.3	[2] 39.9	40.5	40.8	43.9	45.8	45.2	–	–	–	–
Four years later	[2] 39.7	39.3	40.7	40.5	43.4	45.4	–	–	–	–	–
Five years later	39.2	39.9	40.6	40.2	43.2	–	–	–	–	–	–
Six years later	39.8	40.1	40.4	39.7	–	–	–	–	–	–	–
Seven years later	39.7	40.1	40.0	–	–	–	–	–	–	–	–
Eight years later	39.7	39.9	–	–	–	–	–	–	–	–	–
Nine years later	39.6	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	39.6	39.9	40.0	39.7	43.2	45.4	45.2	50.1	49.9	42.0	435.0
Claims paid	–39.4	–39.7	–39.9	–39.4	–42.5	–44.5	–44.1	–48.2	–45.9	–29.1	–412.7
Gross claims reserves	0.2	0.2	0.1	0.3	0.7	0.9	1.1	1.9	4.0	12.9	22.3
Gross claims reserves prior to 2011 (including large claims and assumed business)											69.0
Gross provision for annuities (non-life, including IBNR)											–
Reinsurers' share											–56.0
Net claims reserves											35.3

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

Analysis of claims settlement for the "Group business" segment

A proportion of the reserves relating to this segment is attributable to run-off business. Due to the special nature of this business, it is difficult to conduct meaningful analysis on the basis of our own claims data alone, so the reserves recognised for it are subject to significant uncertainty. In 2019, the part of the run-off that predominantly consisted of business in the London market was transferred under a 100 per cent reinsurance arrangement.

The survival ratio – the ratio of reserves to the average claims paid in the past three years – is a commonly used measure for comparing the adequacy of reserves for asbestos and environmental claims. The ratio shows the number of years for which the reserves will cover claims payments. At the end of the year under review the gross survival ratio was 37.8 years (2019: 58.4 years).

5.5 Life

5.5.1 Actuarial risk

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

AVERAGE TECHNICAL INTEREST RATE

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

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

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

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

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

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

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

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

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

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

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

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

	Switzerland		Germany		Belgium		Luxembourg	
as at 31.12.	2019	2020	2019	2020	2019	2020	2019	2020
CHF million								
Actuarial reserves from unit-linked life insurance contracts	791.3	835.9	2,160.4	2,165.1	29.8	35.8	315.9	376.5

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

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

Our group life business in Switzerland and Belgium focuses on the provision of occupational pensions which, like individual life insurance, covers the risks of death, disability and survival. The distinctive feature of group life business is the influence of political decisions. In Switzerland, the government sets the minimum rate of interest to be paid on savings, and the conversion rate at which accumulated capital is converted into an annuity to provide a pension. However, these regulations only apply to the minimum portion of accumulated capital that is required to provide initial finance for an annuity. For the remaining portion, actuarially appropriate annuity conversion rates are used but any change to the minimum interest rate would also affect the existing statutory portfolio, not just new business, which would normally be the case for individual life business. The technical interest rate for Belgian group life business – unlike individual life business – is also set by the government. However, it is the companies – and not their insurers – that are obliged to guarantee this technical interest rate. 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 31.12.2019		Actuarial reserves 31.12.2020	
	CHF million	Share (%)	CHF million	Share (%)
Traditional insurance				
Longevity risk	11,911.5	31.7	12,370.8	33.0
Mortality risk	9,137.6	24.3	8,916.6	23.8
Disability risk	1,706.7	4.5	1,701.5	4.5
BVG retirement assets	11,497.8	30.6	11,103.9	29.6
Sub-total	34,253.7	91.1	34,092.8	90.9
Unit-linked				
Longevity risk	1,839.1	4.9	1,866.3	5.0
Mortality risk	1,495.1	4.0	1,554.7	4.1
Sub-total	3,334.1	8.9	3,421.0	9.1
Total	37,587.9	100.0	37,513.8	100.0

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

5.5.2 Assumptions

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

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

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

5.5.3 Sensitivities

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

The following scenarios were run:

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

- 10 per cent increase in mortality
  A mortality increase of 10 per cent had only a marginal effect in Germany, Belgium, Luxembourg and Liechtenstein. This was true of the impact on both the income statement and on equity. In the Swiss life insurance business, an increase in mortality caused a lower amount to be allocated to strengthen annuity reserves. This effect improved profitability by around CHF 40 million (2019: CHF 40 million). the effect on equity in Switzerland was minor.
- 10 per cent fall in mortality
  Similar to the aforementioned scenario of an increase in mortality, the effects of a reduction in mortality were marginal 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 80 million (2019: CHF 88 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) rose by 50 basis points. In Germany, this scenario resulted in changes in DAC write-downs, changes in the financing of final policyholders' dividends and the reduction of the provision for impending losses. Overall, there was a positive effect of CHF 3 million on the income statement in Germany (2019: CHF 5 million). The negative effect recognised directly in equity amounted to approximately CHF 5 million (2019: CHF 5 million). In Belgium, this scenario resulted in an increase in DACs and to lower amounts being allocated to the provision recognised for impending losses, which had a positive effect of roughly CHF 35 million on the income statement (2019: CHF 1 million). The negative effect on unrealised gains amounted to CHF 196 million (2019: CHF 134 million). In Luxembourg, this scenario produced a marginally positive effect on the income statement and a negative effect of roughly CHF 20 million on the unrealised gains and losses recognised in equity (2019: CHF 18 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 30 million on the income statement (2019: CHF 24 million). The negative effect recognised directly in equity amounted to approximately CHF 196 million (2019: CHF 214 million).

- 50 basis-point fall in receipts of new money
  This scenario was based on the assumption that receipts of new money (including amounts reinvested) fell by 50 basis points. In Germany, this scenario resulted in changes in DAC write-downs, changes in the financing of final policyholders' dividends and an increase in the provision for impending losses. Overall, there was a negative effect of around CHF 6 million on the income statement in Germany (2019: CHF 6 million). The positive effect recognised directly in equity amounted to CHF 5 million (2019: CHF 5 million). In Belgium, this scenario resulted in additional DAC write-downs and a larger provision for impending losses. The negative effect on the income statement therefore rose to CHF 98 million (2019: CHF 27 million). The positive effect on unrealised gains amounted to CHF 238 million (2019: CHF 155 million). In Luxembourg, this scenario produced a marginally negative effect on the income statement (2019: marginally negative effect) and a positive effect of roughly CHF 23 million on the unrealised gains and losses recognised in equity (2019: CHF 20 million). At Baloise Life (Liechtenstein) AG, the increase in provisions had a marginally negative effect on the income statement (2019: CHF 3 million). The resulting effect on equity was negligible. In Switzerland, this scenario resulted in higher DAC write-downs and an increase in technical provisions. The overall negative effect was CHF 29 million (2019: CHF 34 million). The positive effect recognised directly in equity amounted to approximately CHF 195 million (2019: CHF 220 million).

5.5.4 Changes to assumptions

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

5.6 Management of market risk

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

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

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

5.6.1 Interest rate risk

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

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

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

Additional stress tests are also designed and run for this purpose. They act as an early-warning system and their impact can be simulated for all areas of the Group and their performance.

The effect of stress-testing key financial figures is measured on a monthly basis. The underlying stress scenario (potential loss arising from a risk) is reviewed regularly and modified as necessary.

The life insurance companies in the Baloise Group manage their risk associated with changes in interest rates directly, by means of appropriate strategic asset allocation. Specific factors such as risk-bearing capacity and the ability to fund guarantees are taken into account when allocating assets. The decision-making process also incorporates the asset managers' expectations regarding the development of capital markets and customers' expectations regarding life insurance.

The Baloise Group's Chief Investment Officer (CIO) reviews strategic asset allocation with each business unit twice a year and when the need arises.

The bank also use an appropriate asset and liability management system to monitor and manage interest rate risk. Interest rate risk is incurred only in proportion to business volume and business activities. Interest rate risk is measured using software based on gap, duration and interest rate sensitivity methods. The asset and liability mismatch at Baloise Bank SoBa is also actively managed by the use of appropriate interest rate derivatives.

If all interest rates had fallen by 50 basis points on the balance sheet date but all other variables had remained constant, the profit for the period (after deferred gains / losses and deferred taxes) would have been lower by CHF 134 million (2019: CHF 70 million). Including the impact on profit for the period, equity (after shadow accounting, deferred gains / losses and deferred taxes) would have risen by CHF 241 million (2019: CHF 238 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 68 million (2019: CHF 32 million). Including the impact on profit for the period, equity (after shadow accounting, deferred gains / losses and deferred taxes) would have fallen by CHF 293 million (2019: CHF 271 million).

5.6.2 Currency risk

Currency risk describes the potential financial loss generated by changes in the exchange rates between currencies. The extent of the effective currency risk depends on:

- net foreign exchange exposure, i. e. the net position between assets and liabilities denominated in foreign currencies,
- the volatility of the currencies involved and
- the correlation of currencies with other risk parameters in a portfolio.

Because the Baloise Group invests in foreign currency bonds (particularly those denominated in euros and US dollars) for investment or diversification purposes, there may be currency effects in the income statement for both realised and unrealised positions. To ensure compliance with the risk budget set for currency effects recognised in the income statement, the foreign exchange management team first calculates adequate target hedge ratios, then implements the necessary hedging strategies taking into account these target hedge ratios and the discretionary ranges allowed. It also takes advantage of phases when exchange rates are overreacting by deliberately underweighting or overweighting the hedge ratios in relation to the defined benchmark. These hedging strategies are implemented using forward FX contracts and FX options or combinations of options in which the selection of the instruments to be used in each case depends on factors such as volatility and expected exchange rate movements.

The currency effect of foreign currency bonds or insurance-related foreign currency liabilities and changes in the fair value of derivative financial instruments held for hedging purposes are always recognised in the income statement.

The Group-wide Risk Management Standards require currency risk and the effectiveness of the currency derivatives transacted to be monitored on a continuous basis. The currency risk incurred must be proportionate to the potential superior return generated by the diversification effect achieved in the portfolio.

The Swiss franc and the euro are used almost exclusively for the Baloise Group’s insurance activities, with the result that technical reserves are also mainly in these currencies. There are also small technical liabilities in US dollars. These reserves are generally covered by investments in the same currencies (natural hedges).

Assuming that all other variables remain constant, fluctuations between transactional currencies and the functional currency in financial balance sheet items (after deferred gains / losses and deferred taxes) in the amount of + / – CHF 0.01 (1 centime) would have resulted in a change of + / – CHF 3.8 million (2019: + / – CHF 3.0 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 and Baloise Alternative Invest S.A. SICAV-RAIF, manage the substantial investments in alternative financial assets such as private equity and senior secured loans.

The Baloise Group's FX managers enter into currency hedging transactions in the form of forward contracts to limit the currency risk exposure of its net investment in these 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.	**2019**	**2020**	**2019**	**2020**
CHF million				
Forward contracts	31.7	23.8	5.3	0.3
Swaps	–	–	–	–
OTC options	–	–	–	–
Other	–	–	–	–
Traded options	–	–	–	–
Traded futures	–	–	–	–
Total	31.7	23.8	5.3	0.3

	2019	2020
CHF million		
Amount recognised directly in equity	35.3	122.3
Hedge ineffectiveness reclassified to the income statement	–	–

Because equity investments are actively managed, additions to and deductions from equity are carried out on a regular basis during the year. Consequently, the year-on-year effects underlying hedge accounting and the recognition of cash flows in profit or loss are recognised on a pro-rata basis.

For international diversification (risk-spreading) and because there is greater liquidity in certain foreign financial markets, as at 31 December 2020 the Group's Swiss companies did hold a net position in euros equivalent to CHF 1,154.2 million (2019: CHF 464.8 million) and a net position in US dollars equivalent to CHF – 1,243.3 million (2019: CHF – 1,829.5 million) of monetary financial instruments according to IFRS 7.B23 (excluding financial instruments with characteristics of equity). The remaining foreign exchange positions, both assets and liabilities, were negligible.

Over the course of 2020, the total aggregate hedge ratio of the net foreign currency exposure determined for hedging purposes broadly moved within a range of 96–100 per cent for US dollars and 94–100 per cent for euros.

The foreign entities in the Baloise Group had not a significant foreign currency exposure.

5.6.3 Credit risk

Credit risk relating to assets held by insurance companies refers to the total potential downside risk arising from a deterioration in the credit quality of a borrower or issuer, or from impairment in the value of collateral. Credit risk is managed by monitoring the credit quality of each individual counterparty and relying heavily on credit ratings.

The maximum default risk of financial assets is equivalent to their carrying amount. The Baloise Group tracks counterparty exposures at all times and monitors default risk – broken down by country, sector and issuer – on a Group-wide basis.

Because the credit risk incurred by the Baloise Group is spread across sectors and geographic regions and among a large number of counterparties and customers, the Baloise Group is not exposed to material credit risk arising from a single counterparty or a specific sector or geographic region.

In order to restrict the credit / accumulation risk in the Baloise Group, the proportion that may be invested by Group companies in a single issuer or borrower is strictly limited in the Group-wide Risk Management Standards. The relevant rules are explicitly defined in the Group investment policy. In addition, there are guarantees and collateral for the benefit of third parties, which are described in chapter 40.1.2.

As a rule, investments in interest-bearing securities or loans need to have an investment-grade issue rating or be backed by a corresponding third-party guarantee or by a mortgage. A total limit of 18 per cent of all interest-bearing securities and loans (excluding mortgage loans) per legal entity is set for investments with a rating of 'BBB+' or lower and investments with no rating. Active investment in sub-investment-grade assets is permitted within this allowance. However, such investments are subject to an additional cap of 3 per cent per legal entity. If any financial instrument in the portfolio becomes sub-investment grade due to a ratings downgrade, it must be sold within twelve months. Approval is required for any exceptions. Financial derivatives are only permitted to be transacted with issuers holding a rating of at least "A –" or with whom there is a special collateral agreement.

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

FINANCIAL ASSETS EXCEEDING 10 % OF CONSOLIDATED EQUITY

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

FINANCIAL ASSETS EXCEEDING 10 % OF CONSOLIDATED EQUITY

CHF million	31.12.2020
Swiss Confederation	4,332.0
Kingdom of Belgium	3,067.4
Federal Republic of Germany	1,916.2
Republic of France	1,880.4
Pfandbriefbank schweizerischer Hypothekarinstitute AG	1,533.9
Pfandbriefzentrale der schweizerischen Kantonalbanken AG	992.7
Kingdom of the Netherlands	849.9
Kingdom of Spain	837.3
Republic of Ireland	725.3

The management and control of credit risk arising from mortgage business are set out in instructions and written procedures in which mandatory lending regulations are specified. These lending regulations lay down strict procedures for the immediate identification, accurate assessment, proper authorisation and continuous monitoring of credit risk. Standard credit documentation is used to record and review loan applications, which are all logged and managed centrally. The relevant credit documentation reflects or incorporates all evaluation criteria and policies.

Because a running total of mortgage transactions is kept, it is possible to monitor compliance with credit policy, and corrective action can be taken if necessary. All mortgages are also managed by periodically auditing exposure, including records of overdue interest. Procedures and audit intervals are set out in a separate directive. Senior management regularly receive detailed risk reports on the composition of the mortgage portfolio and risk trends.

Policies, directives and authorisation levels set out the terms and conditions for granting mortgages, which consist of the amount, the credit quality of the counterparty, collateral and the term of the transaction as well as the specialist qualifications of the mortgage expert.

There are special instructions for valuing collateral and calculating loan-to-value ratios. The purpose of these provisions is to ensure that a standard procedure is used to determine the applicable value of collateral when assessing mortgages. The calculation of fair value and the loan-to-value ratio of real estate is of key importance, particularly with regard to mortgage business. One of the objectives of the active management of mortgages is the early identification of potential downside risk.

The mortgage portfolio comprises loans to individuals and to legal entities. The type and degree of risk that may be incurred, together with collateralisation and quality requirements, are set out in directives and authorisation levels. To mitigate risk, the portfolio is as geographically diverse as possible.

CREDIT RATINGS OF FINANCIAL ASSETS THAT WERE NEITHER OVERDUE NOR IMPAIRED

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

CREDIT RATINGS OF FINANCIAL ASSETS THAT WERE NEITHER OVERDUE NOR IMPAIRED

as at 31.12.2020	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Financial assets of a debt nature						
Public corporations	6,208.2	9,156.5	2,294.8	1,769.1	309.7	19,738.2
Industrial enterprises	138.9	728.7	2,798.6	2,317.6	1,849.4	7,833.2
Financial institutions	4,452.1	540.8	1,308.8	711.0	219.2	7,232.0
Other	–	10.0	–	–	278.9	288.9
Mortgages and loans						
Mortgages	100.3	1,109.3	8,932.8	906.4	68.7	11,117.5
Policy loans	–	–	–	–	147.6	147.6
Promissory notes and registered bonds	1,638.8	2,127.8	43.0	60.7	154.5	4,024.8
Time deposits	–	92.0	3.1	51.9	468.8	615.8
Employee loans	–	–	–	–	29.1	29.1
Reverse repurchase agreements	–	–	–	–	725.0	725.0
Other loans	2.7	30.0	125.4	24.6	39.3	222.1
Derivative financial instruments	49.5	7.0	133.3	38.2	265.2	493.2
Receivables from financial contracts	–	–	–	–	–	–
Reinsurance assets	–	286.5	296.8	4.8	72.1	660.1
Receivables from reinsurers	–	31.5	28.5	0.0	57.6	117.6
Insurance receivables	–	1.5	3.7	–	350.3	355.5
Other receivables	3.9	14.5	63.7	10.9	199.5	292.6
Receivables from investments	117.9	111.3	42.0	35.7	41.2	348.1
Cash and cash equivalents	1,338.4	350.7	682.4	62.0	156.6	2,590.1
Total	14,050.7	14,598.2	16,757.0	5,993.0	5,432.5	56,831.4

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 2020, financial assets amounting to CHF 1.7 million (2019: CHF 1.7 million) and cash and cash equivalents of 0.1 million (2019: CHF 0.1 million) from collateral received were used.

FINANCIAL ASSETS IMPAIRED

as at 31.12.	Gross amount	Impairment	Carrying amount	Gross amount	Impairment	Carrying amount
			2019			2020
CHF million						
Financial assets of a debt nature						
Public corporations	–	–	–	–	–	–
Industrial enterprises	9.8	–9.8	–	19.6	–19.6	–
Financial institutions	10.0	–10.0	–	11.6	–11.6	–
Other	–	–	–	–	–	–
Mortgages and loans						
Mortgages	136.0	–18.6	117.4	125.5	–18.5	107.0
Policy loans	–	–	–	–	–	–
Promissory notes and registered bonds	–	–	–	–	–	–
Time deposits	–	–	–	–	–	–
Employee loans	0.0	0.0	–	0.0	0.0	–
Reverse repurchase agreements	–	–	–	–	–	–
Other loans	10.1	–8.4	1.7	1.3	–1.2	0.0
Receivables from financial contracts	–	–	–	–	–	–
Reinsurance assets	–	–	–	–	–	–
Receivables from reinsurers	1.1	0.0	1.1	1.2	–1.1	0.2
Insurance receivables	139.9	–41.6	98.3	151.8	–45.1	106.6
Other receivables	3.2	–1.5	1.7	2.9	–1.2	1.7
Receivables from investments	17.3	–1.3	16.1	20.3	–1.6	18.7
Total	327.5	–91.1	236.4	334.2	–100.0	234.2

FINANCIAL ASSETS OVERDUE BUT NOT IMPAIRED

as at 31.12.2019	< 3 months	3–6 months	7–12 months	> 12 months	Total
CHF million					
Financial assets of a debt nature					
Public corporations	–	–	–	–	–
Industrial enterprises	–	–	–	–	–
Financial institutions	–	–	–	–	–
Other	–	–	–	–	–
Mortgages and loans					
Mortgages	–	–	14.4	–	14.4
Policy loans	–	–	–	–	–
Promissory notes and registered bonds	–	–	–	–	–
Time deposits	–	–	–	–	–
Employee loans	–	–	–	–	–
Reverse repurchase agreements	–	–	–	–	–
Other loans	–	–	–	–	–
Receivables from financial contracts	–	–	–	–	–
Reinsurance assets	–	–	8.5	7.1	15.6
Receivables from reinsurers	–	–	–	–	–
Insurance receivables	25.6	18.0	17.0	11.7	72.3
Other receivables	0.0	0.0	0.0	0.0	0.0
Receivables from investments	–	–	–	–	–
Total	25.6	18.0	39.9	18.8	102.3

FINANCIAL ASSETS OVERDUE BUT NOT IMPAIRED

as at 31.12.2020	‹ 3 months	3–6 months	7–12 months	› 12 months	Total
CHF million					
Financial assets of a debt nature					
Public corporations	–	–	–	–	–
Industrial enterprises	–	–	–	–	–
Financial institutions	–	–	–	–	–
Other	–	–	–	–	–
Mortgages and loans					
Mortgages	–	–	26.1	–	26.1
Policy loans	–	–	–	–	–
Promissory notes and registered bonds	–	–	–	–	–
Time deposits	–	–	–	–	–
Employee loans	–	–	–	–	–
Reverse repurchase agreements	–	–	–	–	–
Other loans	–	–	–	–	–
Receivables from financial contracts	–	–	–	–	–
Reinsurance assets	–	–	7.4	10.2	17.6
Receivables from reinsurers	–	–	–	–	–
Insurance receivables	20.7	12.0	10.3	10.6	53.5
Other receivables	0.1	0.0	0.0	0.0	0.1
Receivables from investments	–	–	–	–	–
Total	20.8	12.0	43.8	20.8	97.3

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 31.12.2019	‹ 1 year [2]	1–3 years	4–5 years	› 5 years	Total	Carrying amount
CHF million						
Liabilities arising from banking business and financial contracts						
With discretionary participation features	3,836.9	1.9	1.8	99.5	3,940.1	3,940.1
Measured at amortised cost	5,943.1	325.4	549.4	775.9	7,593.8	7,593.8
Recognised at fair value through profit or loss	1,205.2	2,782.0	8,449.3	570.1	13,006.5	13,006.5
Financial liabilities	352.9	791.1	704.3	644.2	2,492.4	2,368.0
Derivative financial instruments (net cash flows)	34.0	59.1	5.9	18.4	117.5	117.5
Insurance liabilities	1,215.1	582.3	0.1	10.0	1,807.5	1,807.5
Other liabilities	638.1	24.2	3.5	19.6	685.5	684.8
Total	13,225.3	4,566.0	9,714.2	2,137.8	29,643.3	29,518.2
Guarantees and future liabilities						
Guarantees	36.7	13.0	0.8	12.8	63.3	–
Future Liabilities	417.4	591.6	3.0	4.9	1,016.8	–
Total	454.0	604.6	3.9	17.7	1,080.2	–

MATURITIES OF FINANCIAL LIABILITIES [1]

Liquidity risk as at 31.12.2020	‹ 1 year [2]	1–3 years	4–5 years	› 5 years	Total	Carrying amount
CHF million						
Liabilities arising from banking business and financial contracts						
With discretionary participation features	3,976.0	2.3	1.4	95.0	4,074.7	4,074.7
Measured at amortised cost	6,318.7	422.6	329.2	853.6	7,924.2	7,924.2
Recognised at fair value through profit or loss [3]	1,170.4	–	1.6	12,112.6	13,284.6	13,284.6
Financial liabilities	417.3	929.0	369.7	746.4	2,462.4	2,363.3
Derivative financial instruments (net cash flows)	108.1	19.8	8.9	15.8	152.6	152.6
Insurance liabilities	1,252.3	618.5	0.1	9.1	1,879.9	1,879.9
Other liabilities	547.3	23.8	3.5	16.7	591.4	591.9
Total	13,790.1	2,016.0	714.3	13,849.4	30,369.8	30,271.1
Guarantees and future liabilities						
Guarantees	37.3	13.8	0.7	11.0	62.7	–
future liabilities	711.5	1,050.7	2.8	3.6	1,768.7	–
Total	748.8	1,064.5	3.5	14.6	1,831.3	–

1 Based on undiscounted contractual cash flows.
2 All demand deposits are included in the first maturity band.
3 The differentiation between maturity bands was adjusted slightly in 2020 as a result of more detailed base data.

Please refer to the tables in chapter 22 for the maturities of technical reserves.

In accordance with the Group-wide Risk Management Standards, asset and liability management committees have been introduced in all strategic business units in the Baloise Group. These asset and liability management committees analyse maturity schedules and the income generated by assets or required for liabilities.

As part of tactical and strategic investment planning, care is taken when allocating the assets held by the individual life and non-life insurance units in the Baloise Group to ensure that sufficient liquidity is available to carry out investment activity and for the operational settlement of all business processes. The level of liquidity required is determined on the basis of the maturity structure of investments versus the payout schedule for insurance-related liabilities. Investment planning explicitly includes exceptionally large incoming or outgoing payments that are known in advance. Maintenance of liquidity levels and access to further liquidity via the repo market ensure sufficiently high reserves for payments needed at short notice, such as large claim settlements, until such as time as the reinsurer assumes the costs.

If these precautions fail to meet the need for liquidity, the Baloise Group holds financial assets that can be sold at short notice without significant price losses. They include all equities (excluding long-term equity investments). Because the Group holds a substantial portfolio of government and quasi-government bonds, it is possible to sell relatively large holdings of available-for-sale bonds even in crisis situations. Mortgages and loans are generally held to maturity; early redemption is not considered at present. Private-equity investments have to be considered illiquid in this context, and it is not possible to sell investment property to generate immediate liquidity.

5.6.5 Equity price risk

The Baloise Group is exposed to equity price risk because it holds financial instruments with characteristics of equity classed as "recognised at fair value through profit or loss" and "available for sale". Equity price risk is significantly reduced by means of international diversification, i.e. by spreading risk across sectors, countries and currencies. Active overlay management using derivatives also mitigates equity price risk. Most financial instruments with characteristics of equity are publicly listed.

If the market price of all financial instruments with characteristics of equity were to move by + / – 10 per cent on the balance sheet date, the following impact would be observed – after shadow accounting, deferred gains / losses, deferred taxes, derivative hedges and the effect of the impairment rules mentioned in section 3.10.3:

	Impact on profit for the period		Impact on equity (including profit for the period)	
	2019	2020	2019	2020
CHF million				
Market price plus 10 %	28.5	52.9	252.5	261.0
Market price minus 10 %	– 42.0	– 71.4	– 257.5	– 265.4

Because these impairment criteria produce different effects due to assumed changes in market prices if there is a rise compared with an analogous fall, these effects are divergent. The compensatory effects of hedging using derivatives behave in a similar manner.

Adjustments in the fair value of financial instruments with characteristics of equity that are classed as "recognised at fair value through profit or loss" have an impact on the profit for the period. Unrealised gains and losses vary due to changes in the fair value of financial instruments with characteristics of equity which are classed as "available for sale". In a life insurance company, policyholders participate in the firm's profits, depending on their policy and local circumstances (see section 3.19.5.). The table above takes account of this profit-sharing scheme.

5.7 Fair value measurement

Where available, quoted market prices are used to determine the fair value of assets and liabilities. They are defined as available if quoted prices can be obtained easily and frequently on an exchange, from a dealer, broker, trade association, pricing service or regulatory authority, provided these prices are current, in sufficient volume and represent regularly occurring arm's-length transactions in the market.

If no quoted market prices are available (e.g. because a market is inactive), the fair value is determined using a market-based measurement process. Market-based means that the measurement method is based on a significant quantity of observable market data (as available).

Fair value measurement is divided into the following three hierarchy levels:

- Fair value determined by publicly quoted prices (level 1)
  Fair value is based on prices in active markets on the balance sheet date and it is not adjusted or compiled in any other way.
- Fair value determined by using observable market data (level 2)
  Fair value is estimated using generally recognised methods (discounted cash flow, etc.). In this case, measurement incorporates a significant quantity of observable market data (interest rates, index performance, etc.).
- Fair value determined without the use of observable market data (level 3)
  Fair value is estimated using generally recognised methods (discounted cash flow, etc.), although it is measured without reference to any observable market data (or only to a very minor degree), either because this data is not available or because it does not permit any reliable conclusions to be drawn with regard to fair value.

Detailed information about measurement principles and the measurement methods used can be found in chapters 3 and 4.

Details of the methods used to measure level 2 and level 3 assets and liabilities

The table below gives an overview of the measurement methods that the Baloise Group uses to determine the fair value of balance sheet line items classified as level 2 or level 3. The table shows the individual measurement methods, the key input factors used for measurement purposes and – where practicable – the range within which these input factors vary.

Balance sheet line item	Measurement method	Key input factors used for measurement purposes	Range of input factors
Level 2			
Financial instruments with characteristics of equity			
Available for sale	Internal measurement methods	Price of underlying instrument, liquidity discount, balance sheet and income statement figures	–
	Net asset value	n.a.	–
At fair value through profit or loss	Net asset value	n.a.	–
Financial instruments with characteristics of liabilities			
Available for sale	Present-value model	Yield curve, swap rates, default risk	–
At fair value through profit or loss	Present-value model Net asset value	Interest rate, credit spread, market price n.a.	–
Mortgages and loans			
Carried at cost	Present-value model	Interest rate, credit spread	
At fair value through profit or loss	Present-value model	LIBOR, swap rates	–
Derivative financial instruments	Black-Scholes option pricing model	Money market interest rate, volatility, price of underlying instrument, exchange rates	–
	Black-76	Volatility, forward interest rate	–
Liabilities arising from banking business and financial contracts			
At fair value through profit or loss	Stochastic present-value model	Investment fund prices, interest rates, cancellation rate	–
	Present-value model	LIBOR, swap rates	–
Level 3			
Financial instruments with characteristics of equity	Net asset value	n.a.	n.a.
Financial instruments with characteristics of liabilities	Present-value model	Interest rate, credit spread	–
Derivative financial instruments	Multiples-based method	n.a.	n.a.
Investment property	DCF method	Discount rate [1]	2.35 % – 4.20 % [3]
		Rental income [2]	270 – 290 CHF million [3]
		Vacancy costs [1]	16 – 22 CHF million [3]
		Running costs [1]	24 – 30 CHF million [3]
		Maintenance costs [1]	26 – 32 CHF million [3]
		Capital expenditure [2]	20 – 30 CHF million [3]

1 The lower these key input factors are, the higher the fair value of the investment property is.
2 The higher these key input factors are, the lower the fair value of the investment property is.
3 The input factor ranges shown essentially relate to the real estate portfolios held by the Baloise Group's Swiss entities.

Determining the fair value of assets and liabilities classified as level 3

The Baloise Group organises its operating activities into strategic business units, which are generally combined under a single management team for each region. The financial and management information needed for all relevant executive decisions is held by these strategic business units. This organisational structure is also used to delegate authority and responsibility for proper implementation of, and compliance with, financial reporting standards within the Baloise Group to the individual strategic business units.

The organisation of these individual units varies in terms of how they determine the fair value of financial instruments classified as level 3. This process essentially involves the regular discussion of measurement methods, measurement inconsistencies and classification issues by formal or informal committees at each reporting date. Appropriate adjustments are made where necessary.

Financial instruments with characteristics of equity classed as “available for sale” or “recognised at fair value through profit or loss” and classified as level 3 are primarily private-equity investments and alternative investments held by the Baloise Group as well as non-controlling interests in real estate companies. The fair value of such investments is usually determined by fund managers (external providers) based on their net asset value (NAV). These external providers generally use non-public information to calculate the individual investments’ NAV.

Financial instruments with characteristics of liabilities that are assigned to level 3 are predominantly corporate bonds originating from private placements and for which third-party prices are not available. A present-value model is used to measure their fair value.

The measurement of investment property classified as level 3 is carried out internally each year by experts using market-based assumptions that have been verified by respected external consultancies. This property is also assessed by external valuation specialists at regular intervals.

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

31.12.2019	Total carrying amount	Total fair value	Level 1	Level 2	Level 3
CHF million					
Assets measured on a recurring basis					
Financial instruments with characteristics of equity					
Available for sale	4,351.1	4,351.1	2,493.9	388.9	1,468.4
Recognised at fair value through profit or loss	328.3	328.3	283.3	45.0	–
Financial instruments with characteristics of liabilities					
Held to maturity	7,475.5	9,120.7	9,120.7	–	–
Available for sale	27,101.5	27,101.5	25,483.1	1,618.4	–
Recognised at fair value through profit or loss	10.6	10.6	10.6	–	–
Mortgages and loans					
Carried at cost	15,773.9	16,649.9	–	10,483.8	6,166.1
Recognised at fair value through profit or loss	1,039.1	1,039.1	–	1,039.1	–
Derivative financial instruments	469.7	469.7	6.9	462.7	–
Receivables from financial contracts					
Carried at cost	–	–	–	–	–
Other receivables					
Carried at cost	279.9	281.9	–	–	281.9
Receivables from investments					
Carried at cost	375.7	375.7	280.0	16.4	79.2
Investment property	8,120.1	8,120.1	–	–	8,120.1
Liabilities measured on a recurring basis					
Liabilities arising from banking business and financial contracts					
Measured at amortised cost	7,593.8	7,723.4	–	7,646.6	76.8
Recognised at fair value through profit or loss	570.1	570.1	–	570.1	–
Derivative financial instruments	117.5	117.5	9.2	99.9	8.4
Financial liabilities [1]	2,325.0	2,400.4	2,400.4	–	–

1 Excluding leasing liabilities.

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

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

1 Excluding leasing liabilities.

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

31.12.2019	Total carrying amount	Total fair value	Level 1	Level 2	Level 3
CHF million					
Assets measured on a recurring basis					
Financial instruments with characteristics of equity					
Recognised at fair value through profit or loss	11,553.5	11,553.5	11,279.5	–	274.0
Financial instruments with characteristics of liabilities					
Recognised at fair value through profit or loss	2,161.4	2,161.4	1,885.5	153.2	122.7
Mortgages and loans					
Recognised at fair value through profit or loss	–	–	–	–	–
Derivative financial instruments	578.4	578.4	224.5	353.9	–
Liabilities measured on a recurring basis					
Liabilities arising from banking business and financial contracts					
Recognised at fair value through profit or loss	12,436.4	12,436.4	12,283.2	153.2	–
Derivative financial instruments	–	–	–	–	–

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

31.12.2020	Total carrying amount	Total fair value	Level 1	Level 2	Level 3
CHF million					
Assets measured on a recurring basis					
Financial instruments with characteristics of equity					
Recognised at fair value through profit or loss	12,053.8	12,053.8	11,749.9	–	303.9
Financial instruments with characteristics of liabilities					
Recognised at fair value through profit or loss	1,986.5	1,986.5	1,683.0	178.9	124.5
Mortgages and loans					
Recognised at fair value through profit or loss	–	–	–	–	–
Derivative financial instruments	595.9	595.9	224.0	371.9	–
Liabilities measured on a recurring basis					
Liabilities arising from banking business and financial contracts					
Recognised at fair value through profit or loss	12,528.7	12,528.7	12,349.7	178.9	–
Derivative financial instruments	–	–	–	–	–

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

2019	Financial instruments with characteristics of equity	Investment property	Derivative financial instruments (liabilities)	Total
	Available for sale	Recognised at fair value through profit or loss		
CHF million				
Assets and liabilities measured on a recurring basis				
Balance as at 1 January	**1,322.7**	**7,904.0**	**–**	**9,226.7**
Additions	251.0	452.3	–	703.3
Additions arising from change in the scope of consolidation	–	19.8	–	19.8
Disposals	–124.1	–423.3	–	–547.4
Disposals arising from change in the scope of consolidation	–	–	–	–
Reclassified to level 3	–	–	–	–
Reclassified from level 3	–	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–	–
Changes in fair value recognised in profit or loss [1]	38.9	216.9	–	255.8
Changes in fair value not recognised in profit or loss	4.9	–	–8.4	–3.5
Exchange differences	–25.0	–49.5	–	–74.5
Balance as at 31 December	**1,468.4**	**8,120.1**	**–8.4**	**9,580.2**
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	**–8.5**	**199.9**	**–**	**191.5**

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

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

2020	Financial instruments with characteristics of equity	Investment property	Derivative financial instruments (liabilities)	Total
	Available for sale	Recognised at fair value through profit or loss		
CHF million				
Assets and liabilities measured on a recurring basis				
Balance as at 1 January	1,468.4	8,120.1	– 8.4	9,580.2
Additions	194.2	304.7	–	498.9
Additions arising from change in the scope of consolidation	–	–	–	–
Disposals	– 29.0	– 70.4	–	– 99.3
Disposals arising from change in the scope of consolidation	–	–	–	–
Reclassified to level 3	–	29.3	–	29.3
Reclassified from level 3	–	– 140.5	–	– 140.5
Reclassification to non-current assets classified as held for sale	–	–	–	–
Changes in fair value recognised in profit or loss [1]	– 35.6	171.0	–	135.4
Changes in fair value not recognised in profit or loss	– 70.1	–	– 4.7	– 74.9
Exchange differences	– 21.5	– 4.0	–	– 25.5
Balance as at 31 December	1,506.4	8,410.3	– 13.1	9,903.5
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	– 6.8	170.7	–	163.9

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

**ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS
FOR THE ACCOUNT AND AT THE RISK OF LIFE INSURANCE POLICYHOLDERS AND THIRD PARTIES AND CLASSIFIED AS LEVEL 3**

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

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

**ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS
FOR THE ACCOUNT AND AT THE RISK OF LIFE INSURANCE POLICYHOLDERS AND THIRD PARTIES AND CLASSIFIED AS LEVEL 3**

2020	Financial instruments with characteristics of equity	Financial instruments with characteristics of liabilities	Total
	Recognised at fair value through profit or loss	Recognised at fair value through profit or loss	
CHF million			
Assets and liabilities measured on a recurring basis			
Balance as at 1 January	**274.0**	**122.7**	**396.7**
Additions	28.7	16.2	44.9
Additions arising from change in the scope of consolidation	–	–	–
Disposals	– 11.5	– 12.3	– 23.8
Disposals arising from change in the scope of consolidation	–	–	–
Reclassified to level 3	–	–	–
Reclassified from level 3	– 1.3	– 0.1	– 1.4
Changes in fair value recognised in profit or loss [1]	14.4	– 1.7	12.7
Exchange differences	– 0.5	– 0.3	– 0.8
Balance as at 31 December	**303.9**	**124.5**	**428.4**
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	14.4	– 1.7	12.7

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

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 2019.

Reclassification of assets and liabilities to and from level 3

The reclassification of investment property from level 3 is due to the change of use of Baloise Park in Basel. A property in Belgium was reclassified to level 3 as a result of a change of use.

Discrepancy between a non-financial asset’s highest and best use and its current use

The fair value of investment property is determined on the basis of its highest and best use.

This periodic analysis – which was based on criteria such as the potential to increase a property’s market value by converting it into apartments, the repurposing of some or all of an existing property, the availability of a significant amount of land for further building and development, and the unlocking of added value by demolishing an existing property and building a new one revealed for the reporting period that the highest and best use of only individual investment properties in the Swiss portfolio differed from their current use.

5.8 Capital management

The general parameters regarding the amount of capital employed are set by regulatory requirements and internal risk management policies. While the aim of regulatory requirements is primarily the protection of policyholders, internal policies are largely derived from the risk-based management of operating activities.

5.8.1 Swiss Solvency Test

For the purposes of the Swiss Solvency Test (SST), the Baloise Group defines its risk-bearing capital and target capital (capital requirement) using a model approved by FINMA.

Risk-bearing capital is calculated on the basis of a consolidated balance sheet measured using market values. The difference between the assets and liabilities measured at market value gives the risk-bearing capital after any capital deductions and including any eligible supplementary capital. As a result, all capital items that can be deployed to cover losses in the event of adverse business developments are taken into consideration.

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

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

5.8.2 Requirements under local legislation

Individual Group companies are also subject to regulation under local legislation (in particular the Swiss Solvency Text and Solvency II). The ability of the business units, and therefore also of the parent company, to pay dividends is closely linked to the priority placed on meeting these local requirements. Compliance with local solvency requirements is monitored on an ongoing basis. Appropriate action is taken if solvency falls short of these regulations.

The relevant requirements for the banking operations of Baloise Bank SoBa are defined by Basel III regulations.

5.8.3 Monitoring the solvency situation

The risk owner and risk controller responsible for each business unit and for the Group as a whole participate in a regular reporting process. Key figures relating to Solvency I, Solvency II and key figures relating to banking operations are reported on a monthly basis, which enables the solvency situation to be monitored in a timely manner, providing the basis for risk-based management decisions within the whole organisation. It also enables the Baloise Group to meet external reporting requirements at all times.

6. BASIS OF CONSOLIDATION

6.1 2019 financial year

6.1.1 Acquisitions and foundations

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

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

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

6.1.2 Disposals

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

6.1.3 Other changes in the group of consolidated companies

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

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

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

6.2 2020 financial year

6.2.1 Acquisitions

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

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

6.2.2 Disposals

No companies were sold during the year under review.

6.2.3 Other changes in the group of consolidated companies

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

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

7. SEGMENT REPORTING

The Baloise Group organises its operating activities into strategic business units, which are generally combined under a single management team for each region. The financial and management information needed for all relevant executive decisions is held by these strategic business units. This is also the organisational level at which the chief operating decision-makers are situated. Regardless of where they are headquartered, all Baloise Group entities are therefore assigned to one of the reportable segments

- Switzerland
- Germany
- Belgium
- Luxembourg

The “Germany” segment includes, until 30 December 2019, the regional branches of Basler Sachversicherungs-AG and Basler Lebensversicherungs-AG in the Czech Republic and Slovakia. The “Luxembourg” segment also includes the Baloise Life Liechtenstein unit.

The “Group business” segment comprises the units engaged in intercompany reinsurance and financing, Group IT, the holding companies and the run-off portfolios for the London market, the German hospital liability business and 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 company Baloise Fund Invest Advico is now reported within the Switzerland segment, in line with the management structure. The company had previously been reported within the Group business segment.

In 2019, there was a change of chief operating decision maker for variable annuities products, which are being run off in Liechtenstein. As a result, this business is no longer reported within the Luxembourg segment (which also covers Liechtenstein) and is instead included in the Group business segment. Responsibility for the Swiss variable annuities products contained in this run-off portfolio were transferred to the Switzerland strategic business unit in the first half of 2020 and, as a result, are now reported in the Switzerland segment. The figures for the prior-year period have not been adjusted as the cost of preparing this information would have been disproportionately high.

In the Group business segment, 100 per cent of the London market run-off portfolio is reinsured. This portfolio mainly consists of liability claims relating to asbestos and environmental damage.

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	
	2019	2020	2019	2020	2019	2020
CHF million						
Income						
Premiums earned and policy fees (gross)	4,758.5	4,005.5	1,167.2	1,158.8	1,421.8	1,635.5
Reinsurance premiums ceded	–80.9	–101.8	–88.4	–82.9	–137.6	–159.7
Premiums earned and policy fees (net)	4,677.6	3,903.6	1,078.8	1,075.9	1,284.3	1,475.8
Investment income	816.8	766.0	197.7	174.6	226.8	224.6
Realised gains and losses on investments						
For own account and at own risk	128.4	103.0	136.1	174.3	95.7	8.5
For the account and at the risk of life insurance policyholders and third parties	73.3	–2.3	359.1	4.7	85.8	44.8
Income from services rendered	75.4	94.2	13.0	11.2	3.8	5.4
Share of profit (loss) of associates	3.5	39.1	7.3	10.5	–	14.4
Other operating income	115.3	101.0	38.2	49.5	47.4	22.8
Income	5,890.2	5,004.7	1,830.1	1,500.8	1,743.8	1,796.3
Intersegment income	–44.0	–36.4	32.3	14.0	39.1	43.8
Income from associates	1.3	9.2	7.3	6.5	–	4.1
Expense						
Claims and benefits paid (gross)	–4,142.3	–4,137.0	–904.4	–895.6	–905.2	–1,009.5
Change in technical reserves (gross)	–353.5	210.8	–484.6	–188.4	–93.3	39.4
Reinsurers' share of claims incurred	21.8	145.0	25.2	68.5	99.3	104.6
Acquisition costs	–55.7	–48.9	–169.4	–173.7	–305.5	–333.7
Operating and administrative expenses for insurance business	–456.3	–446.8	–170.4	–160.4	–122.2	–153.4
Investment management expenses [1]	–76.0	–72.6	–26.3	–25.8	–15.6	–17.1
Interest expenses on insurance liabilities	–0.3	–0.2	–16.6	–14.5	–0.4	–0.2
Gains or losses on financial contracts	–66.7	–21.4	–2.3	–2.7	–142.9	–116.2
Other operating expenses [1]	–261.0	–247.3	–61.0	–87.2	–62.8	–64.4
Expense	–5,390.0	–4,618.4	–1,809.9	–1,479.8	–1,548.5	–1,550.6
Profit / loss before borrowing costs and taxes	500.2	386.3	20.2	20.9	195.2	245.8
Borrowing costs	–10.6	–10.4	–0.1	–0.1	0.0	0.0
Profit / loss before taxes	489.6	375.9	20.1	20.9	195.2	245.7
Income taxes	65.3	–52.9	–21.3	–1.1	–43.2	–77.7
Profit / loss for the period (segment result)	554.9	323.0	–1.1	19.7	152.0	168.0
Segment assets as at 31.12.	46,789.2	47,285.8	12,884.6	13,028.7	14,302.8	15,274.2

1 The harmonisation of the recognition of investment administration costs caused a minor shift in the prior-year figures for other operating expenses and investment management expenses in the Switzerland segment.

Luxembourg		Sub-total		Group business		Eliminated		Total	
2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
213.1	210.1	7,560.6	7,009.8	118.3	120.5	–107.7	–95.6	7,571.3	7,034.8
–18.4	–19.1	–325.3	–363.5	–23.9	–0.1	107.7	95.6	–241.5	–268.0
194.8	191.0	7,235.3	6,646.4	94.5	120.4	0.0	0.0	7,329.8	6,766.8
21.2	19.4	1,262.5	1,184.7	3.4	18.4	–8.8	–26.6	1,257.0	1,176.5
8.3	1.4	368.4	287.2	–32.3	1.1	–	–	336.1	288.3
1,125.9	138.6	1,644.2	185.8	65.3	–6.3	–	–	1,709.5	179.5
21.2	21.1	113.3	132.0	170.2	156.7	–157.5	–170.1	126.0	118.5
–	–	10.8	64.1	–	–	–	–	10.8	64.1
42.7	37.0	243.6	210.3	40.7	26.4	–56.6	–43.3	227.7	193.4
1,414.1	408.6	10,878.1	8,710.4	341.8	316.6	–223.0	–240.0	10,996.9	8,787.0
6.8	7.3	34.2	28.6	–257.2	–268.6	223.0	240.0	–	–
–	–	8.7	19.8	–	–	–	–	8.7	19.8
–119.0	–109.1	–6,070.8	–6,151.2	–93.2	–122.2	73.7	90.8	–6,090.4	–6,182.6
–52.8	–39.0	–984.2	22.8	30.6	–5.5	–3.1	15.9	–956.7	33.1
17.5	24.0	163.9	342.1	23.6	0.9	–70.6	–106.6	117.0	236.4
–22.8	–21.5	–553.5	–577.7	–2.5	–5.0	1.3	1.4	–554.6	–581.3
–59.6	–61.0	–808.5	–821.5	–6.2	–8.6	–1.3	–1.4	–816.0	–831.6
–2.0	–1.9	–119.9	–117.4	–6.7	–6.8	18.6	16.7	–108.1	–107.4
–0.2	–0.1	–17.5	–15.0	0.0	–0.3	0.3	0.2	–17.2	–15.2
–1,112.6	–135.4	–1,324.6	–275.8	–72.4	–10.4	9.0	26.6	–1,388.0	–259.5
–39.9	–35.8	–424.7	–434.7	–229.5	–237.8	195.2	196.5	–459.0	–476.1
–1,391.4	–379.7	–10,139.8	–8,028.5	–356.2	–395.7	223.0	240.0	–10,273.0	–8,184.1
22.7	28.9	738.3	681.9	–14.4	–79.0	–	–	723.9	602.9
–0.1	–0.1	–10.8	–10.6	–26.9	–23.7	–	–	–37.7	–34.3
22.6	28.8	727.5	671.3	–41.4	–102.7	–	–	686.2	568.6
–4.4	0.0	–3.5	–131.8	6.9	–8.5	–	–	3.3	–140.3
18.2	28.8	724.0	539.5	–34.5	–111.3	–	–	689.5	428.3
12,765.1	13,156.8	86,741.7	88,745.6	2,863.0	2,380.2	–2,586.9	–2,761.3	87,017.8	88,364.5

7.2 Segment reporting by operating segment

	Non-Life		Life	
	2019	2020	2019	2020
CHF million				
Income				
Premiums earned and policy fees (gross)	3,511.0	3,743.4	4,060.3	3,291.3
Reinsurance premiums ceded	– 214.9	– 230.0	– 26.6	– 38.1
Premiums earned and policy fees (net)	3,296.1	3,513.5	4,033.7	3,253.3
Investment income	176.6	158.5	999.9	942.6
Realised gains and losses on investments				
For own account and at own risk	50.8	25.2	263.0	274.0
For the account and at the risk of life insurance policyholders and third parties	–	–	1,662.6	185.1
Income from services rendered	35.3	43.2	23.7	26.7
Share of profit (loss) of associates	5.5	38.9	1.3	20.9
Other operating income	59.4	26.8	182.4	176.3
Income	3,623.8	3,806.0	7,166.5	4,878.8
Intersegment income	– 34.6	– 41.2	– 37.5	– 55.3
Income from associates	3.3	4.9	1.3	10.6
Expense				
Claims and benefits paid (gross)	– 2,184.4	– 2,338.3	– 3,906.0	– 3,844.3
Change in technical reserves (gross)	163.5	1.0	– 1,120.2	32.2
Reinsurers' share of claims incurred	99.3	205.0	17.7	31.4
Acquisition costs	– 523.0	– 545.9	– 31.6	– 35.4
Operating and administrative expenses for insurance business	– 535.6	– 547.6	– 280.4	– 284.0
Investment management expenses [1]	– 30.6	– 29.4	– 105.7	– 102.0
Interest expenses on insurance liabilities	– 0.7	– 0.5	– 16.5	– 14.6
Gains or losses on financial contracts	– 1.2	– 16.4	– 1,304.1	– 234.7
Other operating expenses [1]	– 212.2	– 231.8	– 144.8	– 145.3
Expense	– 3,224.8	– 3,503.8	– 6,891.7	– 4,596.7
Profit / loss before borrowing costs and taxes	398.9	302.2	274.8	282.2
Borrowing costs	– 0.4	– 0.3	– 10.3	– 10.3
Profit / loss before taxes	398.5	301.9	264.5	271.9
Income taxes	– 34.2	– 63.2	51.8	– 67.6
Profit / loss for the period (segment result)	364.3	238.7	316.3	204.3

1 The harmonisation of the recognition of investment administration costs caused a minor shift in the prior-year figures for other operating expenses and investment management expenses in the Asset Management & Banking segment.

	Asset Management & Banking		Other activities		Eliminated		Total	
	2019	2020	2019	2020	2019	2020	2019	2020
	–	–	–	–	–	–	7,571.3	7,034.8
	–	–	–	–	–	–	–241.5	–268.0
	–	–	–	–	–	–	7,329.8	6,766.8
	86.6	84.3	3.3	16.7	–9.5	–25.6	1,257.0	1,176.5
	17.4	7.0	5.0	–17.9	–	–	336.1	288.3
	–	–	46.9	–5.6	–	–	1,709.5	179.5
	163.8	152.5	163.8	167.2	–260.6	–271.1	126.0	118.5
	–	–	4.0	4.3	–	–	10.8	64.1
	13.7	15.1	16.4	18.2	–44.2	–43.0	227.7	193.4
	281.5	259.0	239.4	182.9	–314.3	–339.8	10,996.9	8,787.0
	–88.3	–86.3	–153.9	–157.0	314.3	339.8	–	–
	–	–	4.0	4.3	–	–	8.7	19.8
	–	–	–	–	–	–	–6,090.4	–6,182.6
	–	–	–	–	–	–	–956.7	33.1
	–	–	–	–	–	–	117.0	236.4
	–	–	–	–	–	–	–554.6	–581.3
	–	–	0.0	–	–	–	–816.0	–831.6
	–54.7	–56.6	–0.7	–0.2	83.5	80.7	–108.1	–107.4
	–	–	–	–	–	–	–17.2	–15.2
	–35.9	–24.4	–56.4	–9.8	9.7	25.7	–1,388.0	–259.5
	–99.8	–98.5	–223.3	–233.9	221.1	233.4	–459.0	–476.1
	–190.4	–179.5	–280.4	–243.9	314.3	339.8	–10,273.0	–8,184.1
	91.1	79.4	–41.0	–61.0	–	–	723.9	602.9
	0.0	0.0	–26.9	–23.7	–	–	–37.7	–34.3
	91.1	79.4	–67.9	–84.6	–	–	686.2	568.6
	–13.5	–11.7	–0.9	2.2	–	–	3.3	–140.3
	77.6	67.8	–68.8	–82.4	–	–	689.5	428.3

Notes to the consolidated balance sheet

8. PROPERTY, PLANT AND EQUIPMENT

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

Depreciation and impairment form part of other operating expenses.

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

Depreciation and impairment form part of other operating expenses.

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

9. INTANGIBLE ASSETS

2019	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	78.9	5.6	661.1	147.8	147.9	1,041.2
Additions arising from change in the scope of consolidation	–	–	–	–	42.4	42.4
Additions	3.8	–	–	–	47.1	50.9
Capitalisation of acquisition costs	–	–	96.5	258.3	–	354.8
Disposals	–	–	–	–	– 0.2	– 0.2
Disposals arising from change in the scope of consolidation	–	–	– 24.3	– 0.7	–	– 25.0
Reclassification	–	–	–	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–
Amortisation and impairment						
Amortisation	–	– 0.8	– 17.5	– 261.0	– 42.8	– 322.2
Write-ups	–	–	2.1	–	–	2.1
Impairment losses recognised in profit or loss	–	–	–	–	–	–
Reversal of impairment losses recognised in profit or loss	–	–	–	–	–	–
Changes due to impending losses	–	–	– 10.0	0.8	–	– 9.1
Change due to unrealised gains and losses on financial instruments (shadow accounting)	–	–	– 69.2	–	–	– 69.2
Exchange differences	– 2.0	– 0.2	– 20.1	– 3.8	– 4.9	– 30.9
Balance as at 31 December	80.6	4.6	618.5	141.4	189.6	1,034.7
Acquisition costs	245.8	–	–	–	599.6	–
Accumulated amortisation and impairment	– 165.1	–	–	–	– 410.0	–
Balance as at 31 December [1]	80.6	4.6	618.5	141.4	189.6	1,034.7
Segment as at 31 December 2019						
Switzerland	25.6	–	68.2	37.9	34.1	165.8
Germany	15.8	4.6	538.6	41.2	0.5	600.6
Belgium	16.3	–	9.2	57.9	105.0	188.4
Luxembourg	23.0	–	2.4	4.4	15.0	44.8
Group business	–	–	–	0.0	35.0	35.0
Total for geographic regions	80.6	4.6	618.5	141.4	189.6	1,034.7

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

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

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

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	
	2019	2020	2019	2020	2019	2020
Basler Versicherung AG	25.6	25.6	7.8	7.8	1.5	1.5
Basler Financial Services GmbH	13.8	13.7	6.8	6.8	1.0	1.0
Bâloise Vie Luxembourg S.A.	6.9	6.8	7.0	7.0	2.5	2.5
Bâloise Assurances Luxembourg S.A.	15.6	15.6	7.0	7.0	2.5	2.5
Baloise Belgium NV	15.1	37.6	7.0	7.0	2.6	2.6

The impairment test in 2020 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 2020 or in 2019, to the carrying amount of an entity being significantly higher than its recoverable value.

10. INVESTMENT PROPERTY

CHF million	2019	2020
Balance as at 1 January	7,904.0	8,120.1
Additions	452.3	304.7
Additions arising from change in scope of consolidation	19.8	–
Disposals	–423.3	–70.4
Disposals arising from change in scope of consolidation	–	–
Reclassification	–	–111.2
Reclassification to non-current assets classified as held for sale	–	–
Change in fair value	216.9	171.0
Exchange differences	–49.5	–4.0
Balance as at 31 December	8,120.1	8,410.3
Operating expenses arising from investment property that generates rental income	84.6	74.7
Operating expenses arising from investment property that does not generate rental income	–	–

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

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

11. FINANCIAL ASSETS

CHF million	31.12.2019	31.12.2020
Financial assets of an equity nature		
Available for sale	4,351.1	3,983.6
Recognised at fair value through profit or loss	328.3	502.4
Financial assets of a debt nature		
Held to maturity	7,475.5	6,974.8
Available for sale	27,101.5	28,110.2
Recognised at fair value through profit or loss	10.6	7.3
Financial assets for own account and at own risk	39,267.0	39,578.4
Financial assets for the account and at the risk of life insurance policyholders and third parties		
Recognised at fair value through profit or loss [1]	13,714.9	14,040.3
Financial assets as reported on the balance sheet	52,982.0	53,618.6

1 Of which financial assets totalling CHF 100.4 million (2019: CHF 168.6 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.	2019	2020
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	7,475.5	6,974.8
Publicly listed, variable interest rate	–	–
Not publicly listed, fixed-interest rate	–	–
Not publicly listed, variable interest rate	–	–
Total	7,475.5	6,974.8

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			
	2019	2020	2019	2020	2019	2020	2019	2020
	2,493.9	2,141.1	–	–	283.3	450.3	2,777.2	2,591.3
	1,857.3	1,842.5	–	–	45.0	52.2	1,902.3	1,894.7
	4,351.1	3,983.6	–	–	328.3	502.4	4,679.4	4,486.0
	25,344.5	26,173.6	–	–	0.1	0.1	32,820.1	33,148.5
	138.6	172.4	–	–	10.5	7.2	149.1	179.6
	1,618.4	1,764.2	–	–	–	–	1,618.4	1,764.2
	–	–	–	–	–	–	–	–
	27,101.5	28,110.2	–	–	10.6	7.3	34,587.6	35,092.4

FINANCIAL ASSETS FOR OWN ACCOUNT AND AT OWN RISK

	Held to maturity	
as at 31.12.	2019	2020
CHF million		
Equities	–	–
Equity funds	–	–
Mixed funds	–	–
Bond funds	–	–
Real estate funds	–	–
Private equity	–	–
Hedge funds	–	–
Financial assets of an equity nature	–	–
Public corporations	6,637.3	6,228.8
Industrial enterprises	1.6	–
Financial institutions	826.6	736.0
Other	10.0	10.0
Financial assets of a debt nature	7,475.5	6,974.8
Total	7,475.5	6,974.8
Secured financial assets of a debt nature		
Public corporations	10.9	10.8
Industrial enterprises	–	–
Financial institutions	779.0	693.5
Other	–	–
Total	789.8	704.3

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

The investments in this Dutch mortgage investment fund are reported under available-for-sale financial instruments with characteristics of liabilities.

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			
	2019	2020	2019	2020	2019	2020	2019	2020
	2,095.1	1,952.7	–	–	–	–	2,095.1	1,952.7
	61.7	52.7	–	–	22.7	33.9	84.3	86.6
	246.3	234.9	–	–	290.0	436.9	536.3	671.8
	173.2	140.6	–	–	15.7	18.2	188.9	158.8
	672.0	691.3	–	–	0.0	13.5	672.0	704.7
	910.0	906.7	–	–	–	–	910.0	906.7
	192.8	4.7	–	–	–	–	192.8	4.7
	4,351.1	3,983.6	–	–	328.3	502.4	4,679.4	4,486.0
	12,964.0	13,509.4	–	–	0.1	0.1	19,601.4	19,738.2
	7,079.5	7,833.2	–	–	–	–	7,081.1	7,833.2
	7,058.0	6,488.7	–	–	10.5	7.2	7,895.1	7,232.0
	–	278.9	–	–	–	–	10.0	288.9
	27,101.5	28,110.2	–	–	10.6	7.3	34,587.6	35,092.4
	31,452.6	32,093.8	–	–	338.9	509.7	39,267.0	39,578.4
	212.7	132.5	–	–	–	–	223.5	143.3
	2,058.3	1,541.5	–	–	–	–	2,058.3	1,541.5
	4,608.5	3,901.1	–	–	–	–	5,387.5	4,594.6
	–	278.9	–	–	–	–	–	278.9
	6,879.6	5,854.0	–	–	–	–	7,669.4	6,558.3

FAIR VALUE OF FINANCIAL ASSETS CLASSIFIED AS HELD TO MATURITY

	Carrying amount		Fair value	
as at 31.12.	2019	2020	2019	2020
CHF million				
Public corporations	6,637.3	6,228.8	8,197.0	7,904.4
Industrial enterprises	1.6	–	1.8	–
Financial institutions	826.6	736.0	911.2	814.6
Other	10.0	10.0	10.8	10.6
Total	7,475.5	6,974.8	9,120.7	8,729.6

12. MORTGAGES AND LOANS

	Gross amount		Impairment		Carrying amount		Fair value	
as at 31.12.	2019	2020	2019	2020	2019	2020	2019	2020
CHF million								
Mortgages and loans carried at cost								
Mortgages	10,048.9	10,127.1	– 18.6	– 18.5	10,030.3	10,108.6	10,483.8	10,562.5
Policy loans	137.0	147.5	–	–	137.0	147.5	147.0	160.3
Promissory notes and registered bonds	4,307.8	4,024.8	–	–	4,307.8	4,024.8	4,714.2	4,522.6
Time deposits	1,053.5	615.8	–	–	1,053.5	615.8	1,053.7	615.9
Employee loans	27.8	29.1	0.0	0.0	27.8	29.1	28.3	29.7
Reverse repurchase agreements	–	725.0	–	–	–	725.0	–	725.0
Other loans	225.7	223.4	– 8.4	– 1.2	217.4	222.1	223.0	229.2
Sub-total	15,800.9	15,892.5	– 27.0	– 19.7	15,773.9	15,872.8	16,649.9	16,845.2
Mortgages and loans recognised at fair value through profit or loss								
Mortgages	1,039.0	1,142.0	–	–	1,039.0	1,142.0	1,039.0	1,142.0
Policy loans	0.1	0.1	–	–	0.1	0.1	0.1	0.1
Sub-total	1,039.1	1,142.1	–	–	1,039.1	1,142.1	1,039.1	1,142.1
Mortgages and loans	16,840.0	17,034.6	– 27.0	– 19.7	16,812.9	17,014.9	17,689.0	17,987.3

IMPAIRMENT OF MORTGAGES AND LOANS

CHF million	2019	2020
Balance as at 1 January	– 27.5	– 27.0
Usage not recognised in profit or loss	0.6	9.6
Unused provisions reversed through profit or loss	1.2	1.8
Increases and additional provisions recognised in profit or loss	– 1.6	– 4.2
Disposal arising from change in scope of consolidation	–	–
Reclassification	–	–
Reclassification to non-current assets classified as held for sale	–	–
Currency translation	0.3	0.1
Balance as at 31 December	– 27.0	– 19.7

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Fair value assets		Fair value liabilities	
as at 31.12.	2019	2020	2019	2020
CHF million				
Derivative financial instruments for own account and at own risk	469.7	493.2	117.5	152.6
Derivative financial instruments for the account and at the risk of life insurance policyholders and third parties	578.4	595.9	–	–
Derivative financial instruments as reported on the balance sheet	1,048.1	1,089.1	117.5	152.6

	Contract value		Fair value assets		Fair value liabilities	
as at 31.12.	2019	2020	2019	2020	2019	2020
CHF million						
Interest rate instruments						
Forward contracts	–	0.4	–	–	–	0.4
Swaps	1,273.8	1,378.7	57.4	18.7	72.1	28.8
OTC options	–	–	–	–	–	–
Other	2.6	3.4	263.6	392.0	25.3	69.1
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Sub-total	1,276.5	1,382.5	321.1	410.7	97.4	98.2
Equity instruments						
Forward contracts	–	–	–	–	–	–
OTC options	1,692.3	1,654.0	28.1	24.6	8.4	14.1
Traded options	619.4	130.3	4.7	8.6	4.1	6.8
Traded futures	–	–	–	–	–	–
Sub-total	2,311.7	1,784.2	32.8	33.2	12.5	20.9
Foreign currency instruments						
Forward contracts	7,837.9	6,986.4	115.4	46.9	7.3	31.0
Swaps	–	–	–	–	–	–
OTC options	1,040.3	1,335.4	0.4	2.3	0.3	2.5
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Sub-total	8,878.1	8,321.7	115.8	49.3	7.6	33.5
Total	12,466.3	11,488.4	469.7	493.2	117.5	152.6
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	1,609.7	1,343.5	31.7	23.8	5.3	0.3

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

14. RECEIVABLES

as at 31.12.	Gross amount 2019	Gross amount 2020	Impairment 2019	Impairment 2020	Carrying amount 2019	Carrying amount 2020	Fair value 2019	Fair value 2020
CHF million								
Receivables carried at cost								
Receivables from investments	376.9	368.4	– 1.3	– 1.6	375.7	366.8	375.7	366.8
Other receivables	281.4	295.6	– 1.5	– 1.2	279.9	294.4	281.9	295.7
Receivables	658.3	664.0	– 2.7	– 2.8	655.6	661.2	657.6	662.6

IMPAIRMENT OF RECEIVABLES

	2019	2020
CHF million		
Balance as at 1 January	– 2.5	– 2.7
Usage not recognised in profit or loss	0.2	0.2
Unused provisions reversed through profit or loss	1.0	2.6
Increases and additional provisions recognised in profit or loss	– 1.5	– 2.9
Disposal arising from change in scope of consolidation	–	–
Reclassification to non-current assets classified as held for sale	–	–
Currency translation	0.0	0.0
Balance as at 31 December	– 2.7	– 2.8

15. REINSURANCE ASSETS

	2019	2020
CHF million		
Reinsurers’ share of technical reserves as at 1 January	457.2	577.1
Change in unearned premium reserves	– 2.1	– 5.1
Benefits paid	– 84.2	– 176.2
Interest on and change in liability	114.2	219.9
Additions / disposals arising from change in scope of consolidation	109.4	65.4
Impairment	–	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	– 17.4	– 3.3
Reinsurers’ share of technical reserves as at 31 December	577.1	677.7

16. RECEIVABLES FROM REINSURERS

CHF million	2019	2020
Reinsurance deposits as at 1 January	11.6	11.9
Additions	1.0	1.9
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	−0.4	0.0
Reinsurance deposits as at 31 December	11.9	13.7
Other reinsurance receivables as at 1 January	30.5	39.3
Additions	82.2	314.3
Disposals	−83.1	−250.0
Additions / disposals arising from change in scope of consolidation	10.2	1.7
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	−0.5	0.0
Other reinsurance receivables as at 31 December	39.3	105.2
Impairment of receivables from reinsurers as at 1 January	−0.1	0.0
Usage not recognised in profit or loss	–	–
Unused provisions reversed through profit or loss	0.1	0.0
Increases and additional provisions recognised in profit or loss	0.0	−1.1
Disposal arising from change in scope of consolidation	–	–
Reclassification to non-current assets classified as held for sale	–	–
Currency translation	0.0	0.0
Impairment of receivables from reinsurers as at 31 December	0.0	−1.1
Receivables from reinsurers as at 31 December	51.3	117.8

17. EMPLOYEE BENEFITS

17.1 Receivables and liabilities arising from employee benefits

as at 31.12.	Receivables from employee benefits		Liabilities arising from employee benefits	
	2019	2020	2019	2020
CHF million				
Type of benefit				
Short-term employee benefits	6.3	7.7	79.8	82.1
Post-employment benefits – defined contribution plans	–	–	–	–
Post-employment benefits – defined benefit plans	–	–	1,183.6	1,221.8
Other long-term employee benefits	–	–	27.1	27.9
Termination benefits	–	–	3.5	8.4
Total	6.3	7.7	1,294.1	1,340.2

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	2019	2020
Balance as at 1 January	**2,514.3**	**2,711.7**
Interest rate effect	19.5	10.3
Return on plan assets	148.2	52.9
Employees' savings and purchases	47.7	37.7
Exchange differences	– 1.2	0.1
Employer contribution	64.6	66.5
Employee contribution	39.2	41.7
Benefits paid	– 147.7	– 173.0
Cash flow between Baloise Group and plan assets (excl. benefits paid to employees and employer contribution)	–	–
Additions / disposals arising from change in scope of consolidation	27.1	16.4
Reclassification to non-current assets classified as held for sale	–	–
Gains and losses on plan settlements	–	–
Balance as at 31 December	**2,711.7**	**2,764.2**

17.2.2 Partially funded liabilities under defined benefit plans

CHF million	2019	2020
Balance as at 1 January	**– 2,821.6**	**– 3,046.7**
Current service cost	– 91.2	– 100.0
Interest rate effect	– 22.0	– 11.6
Employees' savings and purchases	– 47.7	– 37.7
Actuarial gains / losses on defined benefit obligations arising from		
changes in financial assumptions	– 166.0	– 56.1
changes in demographic assumptions	15.8	–
experience adjustments	– 22.5	13.9
Exchange differences	1.6	0.0
Unrecognised past service cost	1.7	1.2
Benefits paid	147.7	173.0
Additions / disposals arising from change in scope of consolidation	– 42.4	– 16.4
Reclassification to non-current assets classified as held for sale	–	–
Gains and losses on plan settlements	–	–
Balance as at 31 December	**– 3,046.7**	**– 3,080.4**

17.2.3 Unfunded liabilities under defined benefit plans

	2019	2020
CHF million		
Balance as at 1 January	– 792.4	– 848.6
Current service cost	– 14.2	– 15.7
Interest rate effect	– 12.0	– 7.0
Employees' savings and purchases	–	–
Actuarial gains / losses on defined benefit obligations arising from		
changes in financial assumptions	– 90.7	– 70.3
changes in demographic assumptions	– 2.1	–
experience adjustments	– 1.2	0.9
Exchange differences	29.1	1.8
Unrecognised past service cost	– 1.1	–
Benefits paid	35.9	33.3
Additions / disposals arising from change in scope of consolidation	–	–
Reclassification to non-current assets classified as held for sale	–	–
Gains and losses on plan settlements	–	–
Balance as at 31 December	– 848.6	– 905.5

17.2.4 Net actuarial liabilities under defined benefit plans

	31.12.2019	31.12.2020
CHF million		
Fair value of plan assets	2,711.7	2,764.2
Present value of (partially) funded liabilities	– 3,046.7	– 3,080.4
Present value of unfunded liabilities	– 848.6	– 905.5
Effect of the asset ceiling	–	–
Net actuarial liabilities under defined benefit plans	– 1,183.6	– 1,221.8

17.2.5 Asset Allocation

CHF million	31.12.2019	31.12.2020
Cash and cash equivalents	39.7	37.6
Real estate	554.5	594.1
Equities and investment funds		
publicly listed	1,393.6	1,457.5
not publicly listed	228.7	97.0
Fixed-interest assets		
publicly listed	96.5	104.6
not publicly listed	–	7.8
Mortgages and loans	371.3	390.6
Derivatives		
publicly listed	–	–
not publicly listed	– 4.2	1.5
Other	31.5	73.5
Fair value of plan assets	2,711.7	2,764.2
Of which: Bâloise Holding Ltd shares (fair value)	35.0	31.5
Of which: real estate leased to the Baloise Group	–	–

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

17.2.6 Expenses for defined benefit plans recognised in the income statement

CHF million	2019	2020
Current service cost	– 105.4	– 115.7
Regular employee contribution	39.2	41.7
Net interest cost	– 14.6	– 8.3
Unrecognised past service cost	0.6	1.2
Gains and losses on plan settlements	–	–
Expected return on reimbursement rights	–	–
Total expenses for defined benefit plans recognised in the income statement	– 80.1	– 81.0

17.2.7 Actuarial assumptions

	2019	2020
Per cent		
Discount rate	0.5	0.3
Expected wage and salary increases	1.4	1.4
Expected increase in pension benefits	0.3	0.3
Weighted annuity option take-up rate	70.7	70.5
Years		
Average life expectancy of a 65-year-old woman	24.6	24.5
Average life expectancy of a 65-year-old man	22.1	22.1

When calculating liabilities and expenses for defined benefit plans, the Baloise Group is required to make actuarial and other assumptions that are determined on a company-by-company and country-by-country basis. The assumptions shown above are weighted averages.

17.2.8 Sensitivity analysis for liabilities under defined benefit plans

	31.12.2019	31.12.2020
CHF million		
Total defined benefit obligation	3,895.3	3,985.9
Discount rate plus 0.5 % age points	– 284.0	– 287.7
Discount rate minus 0.5 % age points	308.6	325.6
Expected wage and salary increases plus 0.5 % age points	31.0	32.8
Expected wage and salary increases minus 0.5 % age points	– 38.9	– 30.6
Expected pension benefits increases plus 0.5 % age points	206.5	224.2
Expected pension benefits increases minus 0.5 % age points	– 49.1	– 51.9
Mortality probabilities for 65-year-olds plus 10.0 % age points	– 101.8	– 100.3
Mortality probabilities for 65-year-olds minus 10.0 % age points	101.7	112.5
Weighted share of annuity option plus 10.0 % age points	16.3	22.1

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

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

17.2.9 Funding of plan benefits

The plan assets of the Swiss plans are funded jointly by the employer and employee. The amount of individual contributions depends largely on an employee's remuneration and age. Statutory regulations require employers to contribute a minimum of 50 per cent of the total contributions for part of the insured benefits.

17.2.10 Estimated employer contribution

The employer's contribution for the following year can only be predicted with a limited degree of certainty. The Baloise Group expects to pay employer contributions of approximately CHF 72.2 million for the 2021 financial year.

17.2.11 Maturity profile

The maturity profile of liabilities under pension plans differs depending on whether benefits are prospective or current entitlements. For prospective benefit entitlements, the average expected remaining service period is 10.1 years; the average present value factor for current benefit entitlements under pension commitments is 16.5 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 2020 totalled CHF 27.9 million (2019: CHF 27.1 million). There were no disposals of plan assets for long-term employee benefits. Benefits paid out amounted to CHF 3.1 million (2019: CHF 2.1 million).

17.4 Share-based payment plans

For some time now, the Baloise Group has offered employees and management team members the chance to participate in various plans under which shares are granted as part of their overall remuneration packages: the Employee Incentive Plan, the Share Subscription Plan and the Share Participation Plan as well as Performance share units (PSU). The PSU programme and the Employee Incentive Plan are equity-settled share-based payment plans. By contrast, the Share Subscription Plan and the Share Participation Plan are share-based payment plans with a choice of settlement. The textual explanations of these individual compensation programs are contained in Chapters 4,5 and 6 of the Compensation Report.

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

In 2020, a sum of CHF 34.6 million (2019: CHF 27.0 million) was recognised as an expense in profit or loss in connection with the following share-based payment plans. The most important quantitative information is listed in tabular form below.

17.4.1 Employee Incentive Plan

EMPLOYEE INCENTIVE PLAN

	2019	2020
Number of shares subscribed	192,501	209,951
Restricted until	31 Aug 2022	31 Aug 2023
Subscription price per share (CHF)	88.50	71.70
Value of shares subscribed (CHF million)	17.0	15.1
Fair value of subscribed shares on subscription date (CHF million)	32.5	29.5
Employees entitled to participate	3,301	3,372
Participating employees	2,218	2,370
Subscribed shares per participant (average)	86.8	88.6

17.4.2 Share Subscription Plan

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

	2019	2020
Number of shares subscribed	23,736	25,000
Restricted until	28 Feb 2022	28 Feb 2023
Subscription price per share (CHF)	129.42	158.40
Value of shares subscribed (CHF million)	3.1	4.0
Fair value of subscribed shares on subscription date (CHF million)	3.9	3.9
Employees entitled to participate	952	1,012
Participating employees	112	118
SSP portion of variable remuneration	14 %	14 %

From 2020, members of the Board of Directors will receive shares via a dedicated share subscription plan, which is now presented separately in the table below. The presentation of the prior-year figures has been adjusted accordingly.

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

	2019	2020
Number of shares subscribed	4,346	5,156
Restricted until [1]	28 Feb 2022	30 May 2023
Subscription price per share (CHF)	129.42	122.94
Value of shares subscribed (CHF million)	0.6	0.6
Fair value of subscribed shares on subscription date (CHF million)	0.7	0.7
Participating members of the Board of Directors	9	10

1 The shares granted to the Chairman of the Board of Directors are subject to a closed period of five years instead of three. This means that these shares are restricted until 29 February 2024 and 30 May 2025 respectively.

17.4.3 Share Participation Plan

SHARE PARTICIPATION PLAN (SPP)

	2019	2020
Number of shares subscribed [1]	84,328	80,187
Restricted until	28 Feb 2022	28 Feb 2023
Subscription price per share [2] (CHF)	125.44	156.46
Value of shares subscribed [2] (CHF million)	10.6	12.5
Fair value of subscribed shares on subscription date (CHF million)	13.7	12.4
Employees entitled to participate	933	989
Participating employees	111	116
SPP portion of variable remuneration [3]	7 %	6 %

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

17.4.4 Performance share units

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

PERFORMANCE SHARE UNIT (PSU) PLAN

	PSUs granted		PSUs converted				Change in value
	Date	Price (CHF) [1]	Date	Multiplier	Price (CHF) [1]	Value (CHF) [2]	[3]
2009	1 Jan 2009	82.40	1 Jan 2012	0.64	64.40	41.22	– 50 %
2010	1 Jan 2010	86.05	1 Jan 2013	0.58	78.50	45.53	– 47 %
2011	1 Jan 2011	91.00	1 Jan 2014	0.77	113.60	87.47	– 4 %
2012	1 Mar 2012	71.20	1 Mar 2015	1.21	124.00	150.04	111 %
2013	1 Mar 2013	84.50	1 Mar 2016	1.50	126.00	189.00	124 %
2014	1 Mar 2014	113.40	1 Mar 2017	1.05	130.70	137.24	21 %
2015	1 Mar 2015	124.00	1 Mar 2018	1.34	149.20	199.93	61 %
2016	1 Mar 2016	126.00	1 Mar 2019	1.32	163.00	215.86	71 %
2017	1 Mar 2017	130.70	1 Mar 2020	1.34	154.90	207.57	59 %
2018	1 Mar 2018	149.20	1 Mar 2021	1.28 [4]	157.50 [4]	201.60 [4]	35 % [4]
2019	1 Mar 2019	163.00	1 Mar 2022	1.22 [4]	157.50 [4]	192.50 [4]	18 % [4]
2020	1 Mar 2020	154.90	1 Mar 2023	1.11 [4]	157.50 [4]	175.00 [4]	13 % [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 2009: ([{0.64*64.40} –82.40] / 82.40) * 100 = –50 %.
4 Interim measurement as at 31 December 2020.

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 2018	Plan 2019	Plan 2020
Employees entitled to participate at launch of programme	67	67	71
Number of allocated PSU	33,237	32,711	32,321
Of which: expired (departures in 2018)	–	–	–
Number of active PSUs as at 31 December 2018	33,237	–	–
Of which: expired (departures in 2019)	– 375	– 252	–
Number of active PSUs as at 31 December 2019	32,862	32,459	–
Of which: expired (departures in 2020)	– 276	– 925	– 407
Number of active PSUs as at 31 December 2020	32,586	31,534	31,914
Value of allocated PSUs on issue date (CHF million)	5.0	5.5	5.1
PSU expense incurred by the Baloise Group for 2018 (CHF million)	1.2	–	–
PSU expense incurred by the Baloise Group for 2019 (CHF million)	1.7	1.4	–
PSU expense incurred by the Baloise Group for 2020 (CHF million)	1.7	1.8	1.3

17.4.5 Phantom Stock Option Program

FRIDAY Insurance S.A., a subsidiary of Bâloise Luxembourg Holding S.A., offers its employees a Phantom Stock Option Programme (PSOP). This (cash-settled) virtual participation programme was introduced in 2017. It has been dissolved early with effect from 31 December 2020 and will be replaced with a new equity-settled plan from 1 January 2021.

The shares in the PSOP are calculated pro rata temporis as at 31 December 2020 and valued on the basis of the most recent enterprise valuation of FRIDAY prepared by an external service provider. The resulting amount will be paid out in three tranches by mid-2023. Due to the early dissolution of the plan, the total cost of employee services received must be recognised in the current year. In 2020, a total of CHF 6.1 million was paid out to participants in the plan.

PHANTOM STOCK OPTION PROGRAM

	2019	2020
Participating employees	40	36
Total liabilities arising from the allocated PSOPs (CHF million)	0.5	3.5
Total liabilities arising from the vested PSOPs (CHF million)	0.1	3.5
PSOP expense (CHF million)	0.4	9.0

18. DEFERRED TAXES

18.1 Deferred tax assets and liabilities

DEFERRED TAX ASSETS

2019	Balance as at 1 January	Change recognised in profit or loss	Change recognised directly in equity	Change in the scope of consolidation	Reclassification in accordance with IFRS 5	Exchange differences	Balance as at 31 December
CHF million							
Financial assets	34.7	3.0	–	0.0	–	– 1.3	36.4
Other investments	25.2	– 2.4	–	–	–	0.0	22.8
Other comprehensive income	94.1	–	6.2	–	–	– 1.6	98.7
Tax credits and losses carried forward	68.4	– 7.2	–	0.0	–	– 1.0	60.2
Insurance receivables	6.6	– 1.8	–	–	–	– 0.1	4.7
Technical reserves	568.0	– 94.4	–	– 1.1	–	– 12.4	460.1
Insurance liabilities	726.0	281.5	–	–	–	– 32.2	975.3
Liabilities arising from banking business and financial contracts	132.9	71.6	–	–	–	– 4.8	199.7
Liabilities arising from employee benefits	55.9	– 5.3	–	–	–	– 1.7	49.0
Other	37.3	– 0.7	–	24.0	–	– 1.0	59.6
Total	1,749.1	244.3	6.2	22.9	–	– 56.1	1,966.4

2020	Balance as at 1 January	Change recognised in profit or loss	Change recognised directly in equity	Change in the scope of consolidation	Reclassification in accordance with IFRS 5	Exchange differences	Balance as at 31 December
CHF million							
Financial assets	36.4	– 6.6	–	–	–	– 0.2	29.7
Other investments	22.8	25.2	–	–	–	0.0	48.0
Other comprehensive income	98.7	–	11.6	–	–	0.0	110.2
Tax credits and losses carried forward	60.2	2.3	–	–	–	0.0	62.4
Insurance receivables	4.7	8.5	–	–	–	0.0	13.2
Technical reserves	460.1	– 24.4	–	–	–	– 1.3	434.4
Insurance liabilities	975.3	36.5	–	–	–	– 2.5	1,009.3
Liabilities arising from banking business and financial contracts	199.7	47.8	–	–	–	– 0.2	247.3
Liabilities arising from employee benefits	49.0	0.7	–	–	–	– 0.1	49.5
Other	59.6	– 19.0	–	17.2	–	– 0.2	57.6
Total	1,966.4	70.9	11.6	17.2	–	– 4.6	2,061.6

DEFERRED TAX LIABILITIES

2019	Balance as at 1 January	Change recognised in profit or loss	Change recognised directly in equity	Change in the scope of consolidation	Reclassification IFRS 5	Exchange differences	Balance as at 31 December
CHF million							
Depreciable assets	2.7	5.2	–	0.0	–	– 0.1	7.8
Other intangible assets	6.0	– 0.7	–	0.4	–	– 0.2	5.5
Deferred acquisition costs	230.3	13.4	–	– 1.1	–	– 7.5	235.1
Long-term equity investments	59.1	– 8.9	–	–	–	– 0.4	49.9
Investment property	367.0	– 35.2	–	–	–	– 2.7	329.1
Financial assets	81.4	– 57.4	–	–	–	– 0.1	23.9
Other investments	68.6	– 15.4	–	–	–	– 1.4	51.9
Other comprehensive income	164.2	–	169.5	0.0	–	– 6.4	327.3
Insurance receivables	1.4	– 0.4	–	–	–	0.0	0.9
Technical reserves	1,541.4	233.4	–	–	–	– 45.9	1,728.9
Other	61.4	– 15.1	1.1	0.0	–	– 0.2	47.2
Total	2,583.5	119.0	170.6	– 0.7	–	– 64.8	2,807.5

2020	Balance as at 1 January	Change recognised in profit or loss	Change recognised directly in equity	Change in the scope of consolidation	Reclassification IFRS 5	Exchange differences	Balance as at 31 December
CHF million							
Depreciable assets	7.8	2.6	–	–	–	0.0	10.4
Other intangible assets	5.5	0.1	–	–	–	0.0	5.6
Deferred acquisition costs	235.1	28.8	–	–	–	– 0.4	263.6
Long-term equity investments	49.9	26.2	–	–	–	0.0	76.1
Investment property	329.1	27.3	–	–	–	– 0.2	356.2
Financial assets	23.9	– 2.9	–	–	–	0.1	21.1
Other investments	51.9	– 6.2	–	–	–	– 0.3	45.4
Other comprehensive income	327.3	–	54.3	–	–	– 0.2	381.4
Insurance receivables	0.9	1.1	–	–	–	0.0	2.0
Technical reserves	1,728.9	32.0	–	8.3	–	– 4.0	1,765.1
Other	47.2	0.1	–	–	–	0.0	47.3
Total	2,807.5	109.0	54.3	8.3	–	– 5.0	2,974.1

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 219.5 million as at 31 December 2020 (2019: CHF 215.4 million) that will expire after five years or more.

The Baloise Group had a tax credit of CHF 126.1 million as at 31 December 2020 (2019: CHF 126.1 million) on which no deferred tax assets had been recognised because the offsetting criteria were not met.

No deferred tax assets had been recognised on tax loss carryforwards amounting to CHF 302.3 million as at 31 December 2020 (2019: CHF 269.5 million) because the relevant offsetting criteria had not been met. Of this total, CHF 0.4 million will expire after one year, CHF 29.2 million after two to four years and CHF 272.7 million will expire after five years or more.

18.2 Deferred taxes

CHF million	31.12.2019	31.12.2020
Deferred tax assets	1,966.4	2,061.6
Deferred tax liabilities	– 2,807.5	– 2,974.1
Total (net)	– 841.1	– 912.6
Of which: recognised as deferred tax assets	97.4	87.9
Of which: recognised as deferred tax liabilities	– 938.5	– 1,000.4

19. OTHER ASSETS

CHF million	31.12.2019	31.12.2020
Accrued income	46.8	47.6
Tax credits indirect taxes (withholding tax etc.)	51.2	30.9
Prepaid insurance benefits	52.0	57.9
Development properties	68.0	52.4
Other assets	109.7	45.1
Impairments	– 7.0	– 7.6
Other assets	320.7	226.3

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

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

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

21. SHARE CAPITAL

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

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

The share capital of Bâloise Holding Ltd totals CHF 4.9 million and is divided into 48,800,000 registered, fully paid-up registered shares with a par value of CHF 0.10 each (2019: 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 24 April 2020 voted in favour of a total dividend distribution of CHF 312.3 million for the 2019 financial year. This amounts to a gross dividend of CHF 6.40 per share. Excluding the treasury shares held by Bâloise Holding Ltd at the time that the dividend was paid, the total distribution effectively amounted to CHF 287.4 million.

A cumulative total of 3,000,000 shares in Bâloise Holding Ltd were repurchased for a total of CHF 481.2 million under the three-year share buy-back programme, which ended on 25 March 2020.

For the 2020 financial year, a total dividend distribution of CHF 312.3 million will be proposed for approval at the Annual General Meeting on 30 April 2021. This amounts to a gross dividend of CHF 6.40 per share. The dividend distribution will be recognised upon approval at the Annual General Meeting.

22. TECHNICAL RESERVES (GROSS)

CHF million	31.12.2019	31.12.2020
Unearned premium reserves (gross)	743.2	845.5
Claims reserve including claims handling costs (gross)	5,658.6	5,895.6
Other technical reserves	75.9	93.2
Technical reserves (non-life)	6,477.7	6,834.3
Actuarial reserves (gross)	38,107.8	38,026.9
Policyholders' dividends credited and provisions for future policyholders' dividends (gross)	3,747.8	3,723.8
Technical reserves (life)	41,855.6	41,750.7
Technical reserves (gross)	48,333.3	48,585.0

22.1 Technical reserves (non-life)

	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
			31.12.2019			31.12.2020
CHF million						
Unearned premium reserves	743.2	0.9	744.1	845.5	2.2	847.7
Claims reserve	5,190.1	–	–	5,386.9	–	–
Provision for claims handling costs	468.4	–	–	508.7	–	–
Claims reserve including claims handling costs	5,658.6	– 538.0	5,120.5	5,895.6	– 636.7	5,258.9
Other technical reserves	75.9	–	75.9	93.2	–	93.2
Total technical reserves (non-life)	6,477.7	– 537.1	5,940.6	6,834.3	– 634.5	6,199.8

22.1.1 Maturity structure of technical reserves

	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
			31.12.2019			31.12.2020
CHF million						
Unearned premium reserves						
Up to 1 year	692.3	0.7	692.9	790.4	1.9	792.3
More than 1 year	7.4	0.2	7.6	7.9	0.3	8.2
No determinable residual term	43.6	–	43.6	47.2	–	47.2
Total unearned premium reserves	743.2	0.9	744.1	845.5	2.2	847.7
Claims reserve including claims handling costs						
Up to 1 year	883.1	– 56.1	827.0	919.0	– 89.5	829.5
More than 1 year	3,692.6	– 90.9	3,601.7	3,922.4	– 105.5	3,816.9
No determinable residual term	1,082.9	– 391.0	691.9	1,054.2	– 441.7	612.5
Total claims reserve including claims handling costs	5,658.6	– 538.0	5,120.5	5,895.6	– 636.7	5,258.9

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
			2019			2020
CHF million						
Balance as at 1 January	657.0	– 1.2	655.9	743.2	0.9	744.1
Netted premiums	3,542.1	– 212.8	3,329.4	3,802.5	– 224.9	3,577.6
Less: premiums earned during the reporting period	– 3,511.0	214.9	– 3,296.1	– 3,743.4	230.0	– 3,513.5
Additions arising from acquisition of policy portfolios and insurance companies	77.0	0.0	77.0	41.7	– 3.9	37.8
Disposals arising from sale of policy portfolios and insurance companies	– 0.7	–	– 0.7	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–
Exchange differences	– 21.2	0.0	– 21.2	1.5	0.1	1.6
Balance as at 31 December	743.2	0.9	744.1	845.5	2.2	847.7

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

22.1.3 Other technical reserves

CHF million	Gross 2019	Reinsurance assets 2019	Net 2019	Gross 2020	Reinsurance assets 2020	Net 2020
Balance as at 1 January	74.5	–	74.5	75.9	–	75.9
Less: expenditures during the reporting period	–25.6	0.1	–25.5	–30.3	0.3	–30.0
Additional provisions recognised and unused provisions reversed through profit or loss	20.1	–0.1	20.0	47.6	–0.3	47.3
Additions arising from acquisition of policy portfolios and insurance companies	8.3	–	8.3	–	–	–
Disposals arising from sale of policy portfolios and insurance companies	–0.4	–	–0.4	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–
Exchange differences	–1.0	–	–1.0	0.0	–	0.0
Balance as at 31 December	75.9	–	75.9	93.2	–	93.2

22.1.4 Claims reserve (including claims handling costs)

CHF million	2019	2020
Balance as at 1 January (gross)	5,426.0	5,658.6
Reinsurers' share	– 423.6	– 538.0
Balance as at 1 January (net)	5,002.4	5,120.5
Claims incurred (including claims handling costs)		
For the reporting period	2,081.7	2,121.8
For previous years	– 180.1	– 40.9
Total	1,901.6	2,080.9
Payments for claims and claims handling costs		
For the reporting period	– 1,060.4	– 1,060.9
For previous years	– 1,046.1	– 1,112.7
Total	– 2,106.5	– 2,173.6
Other changes		
Additions / disposals arising from changes in scope of consolidation	425.4	237.4
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	– 102.4	– 6.3
Total	323.0	231.1
Balance as at 31 December (net)	5,120.5	5,258.9
Reinsurers' share	538.0	636.7
Balance as at 31 December (gross)	5,658.6	5,895.6

The Baloise Group pays particular attention to cases of environmental pollution involving landfill sites, refuse, asbestos or any other materials harmful to human beings or the environment.

The relevant net reserves included in the total amounted to CHF 8.6 million at the end of 2020 (2019: CHF 9.4 million).

The net reserves for the hospital liability business in Germany amount to CHF 246.3 million (2019: CHF 258.7 million) and are also included in the total.

22.2 Technical reserves (life)

	31.12.2019	31.12.2020
CHF million		
Actuarial reserves from traditional life insurance contracts [1]	34,253.7	34,092.8
Actuarial reserves from unit-linked life insurance contracts	3,334.1	3,421.0
Reserves for final policyholders' dividends	159.2	144.2
Unearned revenue reserve	360.7	368.8
Structure of actuarial reserves (life)	**38,107.8**	**38,026.9**
Policyholders' dividends credited and provisions for future policyholders' dividends	3,747.8	3,723.8
Total technical reserves (life)	**41,855.6**	**41,750.7**

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

22.2.1 Maturity structure of technical reserves

CHF million	31.12.2019	31.12.2020
Actuarial reserves from non-unit-linked life insurance contracts		
Up to 1 year	1,073.0	1,050.0
1 to 5 years	3,114.8	3,113.8
5 to 10 years	3,284.4	3,321.3
More than 10 years	5,707.4	5,526.6
No determinable residual term	9,576.4	9,977.0
Business from Swiss occupational pension plans [1]	11,497.8	11,103.9
Total actuarial reserves from non-unit-linked life insurance contracts	34,253.7	34,092.8
Actuarial reserves from unit-linked life insurance contracts		
Up to 1 year	159.4	219.8
1 to 5 years	362.7	357.9
5 to 10 years	330.8	309.6
More than 10 years	420.0	430.3
No determinable residual term	2,061.3	2,103.5
Total actuarial reserves from unit-linked life insurance contracts	3,334.1	3,421.0
Policyholders' dividends credited		
Up to 1 year	65.7	55.0
1 to 5 years	196.9	184.7
5 to 10 years	183.4	179.6
More than 10 years	226.7	189.2
No determinable residual term	142.7	131.2
Total policyholders' dividends credited	815.5	739.8
Provisions for future policyholders' dividends		
Up to 1 year	111.7	100.7
No determinable residual term	2,820.6	2,883.3
Total provisions for future policyholders' dividends	2,932.3	2,984.0

1 The Swiss pensions business is disclosed separately owing to its specific features. It comprises group contracts which may be cancelled annually by either party, whereas the coverage period for the individuals enrolled is significantly longer.

All figures relating to maturities are based on the residual terms of contracts. The line item "No determinable residual term" mainly comprises deferred and current annuities.

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

CHF million	2019	2020
Balance as at 1 January	**33,372.9**	**34,253.7**
Change in actuarial reserves	726.5	–131.2
Additions arising from acquisition of policy portfolios and insurance companies	511.9	–
Disposals arising from sale of policy portfolios and insurance companies	–2.3	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	–355.2	–29.8
Balance as at 31 December	**34,253.7**	**34,092.8**
Of which: for DPF business	33,759.7	33,753.8
Of which: for non-DPF business	494.0	338.9

The actuarial reserves include unearned premium reserves and claims reserves.
The actuarial reserves for assumed business (inward reinsurance) as at 31 December 2020 came to CHF 13.1 million (31 December 2019: CHF 11.4 million).

22.2.3 Actuarial reserves from unit-linked life insurance contracts

CHF million	2019	2020
Balance as at 1 January	**2,833.5**	**3,334.1**
Additions	274.5	239.9
Disposals	–228.9	–168.6
Fees	–6.1	–5.7
Interest on and change in liabilities	477.9	19.4
Additions arising from acquisition of policy portfolios and insurance companies	1.1	9.5
Disposals arising from sale of policy portfolios and insurance companies	–47.1	0.0
Reclassification[1]	113.1	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	–84.0	–7.4
Balance as at 31 December	**3,334.1**	**3,421.0**

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

22.2.4 Reserve for final policyholders' dividends

CHF million	2019	2020
Balance as at 1 January	164.5	159.2
Adjustment arising from unrealised gains and losses as at 1 January (shadow accounting)	– 3.4	– 6.0
Interest on and change in liability	13.8	1.6
Final policyholders' dividends paid	– 15.1	– 14.5
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	– 2.9	–
Reclassification to non-current assets classified as held for sale	–	–
Adjustment arising from unrealised gains and losses as at 31 December (shadow accounting)	6.0	4.4
Exchange differences	– 3.8	– 0.4
Balance as at 31 December	159.2	144.2

Final policyholders' dividends, which are only paid upon contract expiry, are funded and accrued over the duration of the policy in proportion to the profits attributable to the contract.

22.2.5 Unearned revenue reserve

CHF million	2019	2020
Balance as at 1 January	369.3	360.7
Reserved during the reporting period	16.8	13.4
Change in balance	8.8	– 4.3
Change due to unrealised gains and losses on investments (shadow accounting)	– 1.6	– 0.1
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	– 19.6	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	– 12.9	– 1.0
Balance as at 31 December	360.7	368.8

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

CHF million	2019	2020
Policyholders' dividends credited as at 1 January	**913.5**	**815.5**
Dividends credited to policyholders during the reporting period	37.8	35.0
Policyholders' dividends paid	– 114.1	– 108.3
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 and disposal groups classified as held for sale	–	–
Exchange differences	– 21.7	– 2.3
Balance as at 31 December	**815.5**	**739.8**
Provisions for future policyholders' dividends as at 1 January	**2,764.0**	**2,932.3**
Adjustment arising from unrealised gains and losses as at 1 January	– 426.1	– 827.8
Additions	149.9	95.0
Withdrawals	– 122.2	– 125.9
Change in measurement differences between IFRS and national accounting standards recognised in profit or loss	– 219.6	37.5
Adjustment arising from unrealised gains and losses as at 31 December (shadow accounting)	827.8	875.7
Additions arising from acquisition of policy portfolios and insurance companies	0.4	–
Disposals arising from sale of policy portfolios and insurance companies	– 2.7	–
Reclassification to non-current assets classified as held for sale	–	–
Exchange differences	– 39.1	– 2.7
Balance as at 31 December	**2,932.3**	**2,984.0**
Policyholders' dividends credited and provisions for future policyholders' dividends as at 31 December	**3,747.8**	**3,723.8**

23. LIABILITIES ARISING FROM BANKING BUSINESS AND FINANCIAL CONTRACTS

	Carrying amount		Fair value	
as at 31.12.	**2019**	**2020**	**2019**	**2020**
CHF million				
With discretionary participation features (DPFs)				
Financial contracts with discretionary participation features (DPFs)[1]	3,940.1	4,074.7	–	–
Sub-total	3,940.1	4,074.7	–	–
Measured at amortised cost				
Liabilities to banks	395.7	568.8	395.8	569.2
Repurchase agreements	300.0	50.0	300.0	50.0
Liabilities arising from time deposits	–	–	–	–
Loans	7.8	9.6	7.8	9.6
Mortgages	33.7	33.3	33.7	33.3
Savings and customer deposits	5,215.0	5,462.8	5,264.1	5,532.9
Medium-term bonds	87.4	76.9	90.0	79.2
Mortgage-backed bonds	1,518.9	1,722.4	1,596.6	1,811.2
Other financial contracts	35.3	0.4	35.3	0.4
Sub-total	7,593.8	7,924.2	7,723.4	8,085.7
Recognised at fair value through profit or loss (designated)				
Other financial contracts	13,006.5	13,284.6	13,006.5	13,284.6
Sub-total	13,006.5	13,284.6	13,006.5	13,284.6
Total liabilities arising from banking business and financial contracts	24,540.4	25,283.5	–	–

1 There are currently no internationally accepted mathematical methods available for determining the fair value of financial contracts with discretionary participation features (DPFs).

Savings deposits and customer deposits essentially consist of savings accounts, business accounts and deposit accounts held by Swiss banking clients. The mortgage-backed bonds reported have all been issued by Pfandbriefbank schweizerischer Hypothekarinstitute AG.

The other financial contracts designated as at fair value through profit or loss largely relate to the life insurance liability arising from investment-linked life insurance contracts involving little or no transfer of risk. The year-on-year change in this liability consists entirely of the funds flowing into and out of the pertinent investment portfolio, the latter's market-related price fluctuations and exchange-rate movements.

24. FINANCIAL LIABILITIES

CHF million	2019	2020
Senior and hybrid debt	2,325.0	2,324.4
Leasing liabilities	43.0	38.9
Total	2,368.0	2,363.3

24.1 Senior debt

	Senior debt	Hybrid debt	Total	Senior debt	Hybrid debt	Total
			2019			2020
CHF million						
Balance as at 1 January	1,247.4	497.1	1,744.5	1,827.5	497.5	2,325.0
Issue price of newly issued bonds	754.5	–	754.5	299.7	–	299.7
Disposals and repayments	–175.0	–	–175.0	–300.0	–	–300.0
Interest expenses	26.9	10.1	37.0	23.6	10.1	33.8
Borrowing costs paid	–28.4	–9.7	–38.1	–27.0	–9.7	–36.7
Accrued borrowing costs	2.1	–	2.1	2.6	–	2.6
Interest costs (sub-total)	0.6	0.5	1.0	–0.8	0.5	–0.3
Balance as at 31 December	1,827.5	497.5	2,325.0	1,826.4	498.0	2,324.4

The presentation of senior debt has been modified to allow for a distinction between senior bonds and hybrid bonds. The presentation of the prior-year figures has been adjusted accordingly.

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

On 4 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.

TERMS & CONDITIONS GOVERNING DEBT OUTSTANDING AS AT 31.12.2020 (BONDS BÂLOISE HOLDING LTD AND BALOISE LIFE LTD)

Issuer	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Baloise Life Ltd	Baloise Life Ltd	Bâloise Holding Ltd
Face value (CHF million)	250	150	225	150	300	200	200
Interest rate	3.000%	2.000%	1.750%	1.125%	1.750%	2.200%	0.500%
Redemption value	100%	100%	100%	100%	100%	100%	100%
Year of issue	2011	2012	2013	2014	2017	2017	2019
Repayment date	07.07.2021	12.10.2022	26.04.2023	19.12.2024	perpetual	19.06.2048	28.11.2025
ISIN	CH0131804616	CH0194695083	CH0200044821	CH0261399064	CH0379610998	CH0379611004	CH0458097976

Issuer	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd	Bâloise Holding Ltd
Face value (CHF million)	200	100	125	125	175	125
Interest rate	0.000%	0.000%	0.000%	variable	0.250%	0.500%
Redemption value	100%	100%	100%	100%	100%	100%
Year of issue	2019	2019	2019	2019	2020	2020
Repayment date	23.09.2022	25.09.2026	25.09.2029	25.03.2021	16.12.2026	16.12.2030
ISIN	CH0496692960	CH0496692978	CH0496692986	CH0496692994	CH0553331817	CH0553331825

24.2 Leasing liabilities

	2019	2020
CHF million		
Balance as at 1 January	52.9	43.0
Additions	7.5	14.5
Additions arising from change in scope of consolidation	0.4	–
Disposals	–0.9	–2.2
Disposals arising from change in scope of consolidation	–0.4	–
Interests expenses	0.7	0.5
Cash outflow due to redemption	–16.7	–16.9
Exchange differences	–0.5	0.0
Balance as at 31 December	43.0	38.9

25. NON-TECHNICAL PROVISIONS

	Restructuring	Other	Total	Restructuring	Other	Total
			2019			2020
CHF million						
Balance as at 1 January	23.4	40.3	63.7	18.5	34.4	52.9
Addition arising from change in scope of consolidation	–	0.7	0.7	–	–	–
Disposal arising from change in scope of consolidation	–	–	–	–	–	–
Reclassification	–	–	–	–	12.9	12.9
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–
Increases and additional provisions recognised in profit or loss	7.3	15.1	22.4	3.7	15.1	18.8
Unused provisions reversed through profit or loss	– 0.2	– 18.8	– 19.0	– 0.2	– 15.7	– 15.9
Usage not recognised in profit or loss	– 11.3	– 2.6	– 13.9	– 8.7	– 2.5	– 11.1
Unwinding of discount	–	–	–	–	–	–
Exchange differences	– 0.7	– 0.2	– 0.9	– 0.1	0.0	– 0.1
Balance as at 31 December	18.5	34.4	52.9	13.2	44.3	57.5

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

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

26. INSURANCE LIABILITIES

	31.12.2019	31.12.2020
CHF million		
Liabilities to policyholders	1,371.8	1,312.9
Liabilities to brokers and agents	159.5	182.0
Liabilities to insurance companies	251.8	304.7
Other insurance liabilities	24.4	80.4
Total insurance liabilities	1,807.5	1,879.9

Notes to the consolidated income statement

27. PREMIUMS EARNED AND POLICY FEES

	Non-Life	Life	Total	Non-Life	Life	Total
			2019			2020
CHF million						
Gross premiums written and policy fees	3,542.1	4,060.3	7,602.4	3,802.5	3,291.3	7,093.8
Change in unearned premium reserves	– 31.2	–	– 31.2	– 59.1	–	– 59.1
Premiums earned and policy fees (gross)	3,511.0	4,060.3	7,571.3	3,743.4	3,291.3	7,034.8
Reinsurance premiums ceded	– 212.8	– 26.6	– 239.4	– 224.9	– 38.1	– 262.9
Reinsurers' share of change in unearned premium reserves	– 2.1	–	– 2.1	– 5.1	–	– 5.1
Total premiums earned and policy fees (net)	3,296.1	4,033.7	7,329.8	3,513.5	3,253.3	6,766.8

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

	2019	2020
CHF million		
Investment property	282.6	282.5
Financial assets of an equity nature		
Available for sale	112.3	108.9
Recognised at fair value through profit or loss	1.9	1.9
Financial assets of a debt nature		
Held to maturity	192.5	176.7
Available for sale	428.4	385.8
Recognised at fair value through profit or loss	1.1	0.1
Mortgages and loans		
Carried at cost	225.5	207.7
Recognised at fair value through profit or loss	13.7	13.7
Cash and cash equivalents	– 0.9	– 0.8
Total investment income for own account and at own risk	1,257.0	1,176.5

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

Interest income of CHF 2.7 million had been recognised on impaired investments at the balance sheet date (2019: CHF 2.4 million).

29. REALISED GAINS AND LOSSES ON INVESTMENTS

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

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

1 Currency effects relating to held-to-maturity financial assets of a debt nature are reported as realised book profits and / or realised book losses.

2020	Investment property	Financial assets of an equity nature	Financial assets of a debt nature	Mortgages and loans	Derivative financial instruments	Total
CHF million						
Realised gains on sales and book profits						
Investment property	628.2	–	–	–	–	628.2
Held to maturity [1]	–	–	–	–	–	–
Available for sale	–	155.2	297.3	–	–	452.5
Recognised at fair value through profit or loss	–	11.3	0.2	5.2	468.5	485.2
Carried at cost	–	–	–	110.8	–	110.8
Sub-total	628.2	166.5	297.5	116.0	468.5	1,676.8
Realised losses on sales and book losses						
Investment property	–457.2	–	–	–	–	–457.2
Held to maturity [1]	–	–	–6.4	–	–	–6.4
Available for sale	–	–95.0	–171.3	–	–	–266.3
Recognised at fair value through profit or loss	–	–20.8	–0.1	–2.6	–428.3	–451.7
Carried at cost	–	–	–	–1.6	–	–1.6
Sub-total	–457.2	–115.7	–177.9	–4.2	–428.3	–1,183.3
Impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–183.9	–18.8	–	–	–202.7
Carried at cost	–	–	–	–4.2	–	–4.2
Reversal of impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–	–	–	–	–
Carried at cost	–	–	–	1.8	–	1.8
Sub-total	–	–183.9	–18.8	–2.5	–	–205.1
Total realised gains and losses on investments	171.0	–133.1	100.9	109.3	40.2	288.3

1 Currency effects relating to held-to-maturity financial assets of a debt nature are reported as realised book profits and / or realised book losses.

29.2 Impairment losses on financial assets recognised in profit or loss

CHF million	2019	2020
Impairment losses on financial assets of an equity nature recognised in profit or loss		
Equities	– 52.7	– 151.2
Equity funds	–	– 6.4
Mixed funds	– 0.1	– 6.2
Bond funds	–	0.0
Real estate funds	0.0	0.0
Private equity	– 9.7	– 19.1
Hedge funds	– 0.6	– 1.0
Sub-total	– 63.2	– 183.9
Impairment losses on financial assets of a debt nature recognised in profit or loss		
Public corporations	–	–
Industrial enterprises	– 8.9	– 17.2
Financial institutions	– 9.6	– 1.6
Other	–	–
Sub-total	– 18.4	– 18.8
Impairment losses on mortgages and loans recognised in profit or loss		
Mortgages	– 1.5	– 3.5
Policy loans	–	–
Promissory notes and registered bonds	–	–
Time deposits	–	–
Employee loans	–	–
Reverse repurchase agreements	–	–
Other loans	0.0	– 0.7
Sub-total	– 1.6	– 4.2
Total impairment losses on financial assets recognised in profit or loss	– 83.2	– 206.9

In 2020, a gross impairment loss of CHF 183.9 million was recognised for financial instruments with characteristics of equity (of which CHF 53.5 million in the second half of the year). After deduction of the legal quota, policyholders' dividends and taxes, the impairment loss for these financial assets amounted to CHF 120.5 million. This mainly affects the business units in Switzerland and Belgium.

The impairment losses are primarily attributable to the COVID-19 situation and needed to be recognised due to significant corrections in the financial markets. The highest losses were recognised on positions in the banking/financial services, industrial goods & services and oil & gas sectors.

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

29.3 Currency gains and losses

Excluding exchange-rate losses on transactions involving financial instruments that are recognised at fair value through profit or loss, a currency loss of CHF 124.3 million was reported for 2020 (2019: loss of CHF 221.8 million).

A gross currency loss of CHF 151.3 million was recognised directly in equity for the reporting year (2019: loss of CHF 78.4 million). Allowing for hedges of a net investment in a foreign operation (hedge accounting), a net loss of CHF 31.6 million was recognised for 2020 (2019: net loss of CHF 62.1 million).

30. INCOME FROM SERVICES RENDERED

	2019	2020
CHF million		
Asset management	47.6	44.7
Services	25.0	25.2
Banking services	37.7	33.9
Investment management	15.7	14.6
Income from services rendered	126.0	118.5

31. OTHER OPERATING INCOME

	2019	2020
CHF million		
Interest income from insurance and reinsurance receivables	11.2	8.5
Other interest income	0.3	0.7
Gains on the sale of property, plant and equipment	6.0	1.4
Negative Goodwill	25.5	–
Currency gains on assets and liabilities	13.4	4.1
Reversal of impairment losses recognised on receivables	5.9	9.0
External income from owner-occupied property	5.9	2.9
Income from development properties	42.8	32.4
Other income	116.6	134.4
Other operating income	227.7	193.4

32. CLASSIFICATION OF EXPENSES

	2019	2020
CHF million		
Personnel expenses (excluding loss adjustment expenses)	– 813.9	– 838.1
Marketing and advertising	– 59.9	– 41.6
Depreciation and impairment of property, plant and equipment	– 47.1	– 46.9
Amortisation and impairment of intangible assets	– 43.7	– 51.3
IT and other equipment	– 72.7	– 116.0
Expenses for maintenance, repairs and rent for short-term and low value leases	– 19.5	– 24.9
Losses arising from exchange differences in respect of assets and liabilities	– 6.3	– 4.9
Commission and selling expenses	– 642.4	– 718.4
Fees and commission for financial assets and liabilities not recognised at fair value	– 11.7	– 11.6
Fees and commission expenses for assets managed for third parties	– 7.8	– 5.5
Expenses arising from non-current assets classified as held for sale	–	–
Expenses from development properties	– 43.4	– 28.6
Other [1]	– 169.4	– 108.7
Total	– 1,937.7	– 1,996.4

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 2020 came to CHF 951.4 million (2019: CHF 936.1 million).

34. GAINS OR LOSSES ON FINANCIAL CONTRACTS

CHF million	2019	2020
With discretionary participation features (DPFs)		
Financial contracts with discretionary participation features (DPFs)	– 60.2	– 58.1
Sub-total	– 60.2	– 58.1
Measured at amortised cost		
Interest on loans	0.0	0.2
Interest due	– 11.6	– 15.3
Interest arising from banking business	0.2	1.9
Interest expenses on repurchase agreements	3.1	4.7
Acquisition costs in banking business	– 7.6	– 7.2
Expenses arising from financial contracts	– 8.9	– 8.7
Sub-total	– 24.8	– 24.4
Recognised at fair value through profit or loss (designated)		
Change in fair value of other financial contracts [1]	– 1,303.0	– 177.1
Sub-total	– 1,303.0	– 177.1
Total gains or losses on financial contracts	– 1,388.0	– 259.5
Of which: gains on interest rate hedging instruments		
Interest rate swaps: cash flow hedges, balance carried forward from cash flow hedge reserves	–	–
Interest rate swaps: fair value hedges	–	–
Total gains on interest rate hedging instruments	–	–

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

35. INCOME TAXES

35.1 Current income taxes and deferred taxes

In 2020, the cantonal lowering of income tax rates in Switzerland resulted in non-recurring deferred tax income totalling CHF 1.8 million.

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

CHF million	2019	2020
Current income taxes	– 122.0	– 102.2
Deferred taxes	125.3	– 38.1
Total income taxes	3.3	– 140.3

35.2 Expected and current income taxes

The expected average tax rate for the Baloise Group was 15.8 per cent in 2019 and 19.4 per cent in 2020. 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.

CHF million	2019	2020
Profit before taxes	686.2	568.6
Expected average tax rate (per cent)	15.78 %	19.40 %
Expected income taxes	– 108.3	– 110.3
Increase / reduction owing to		
tax-exempt profits and losses	20.5	3.6
non-tax-effective negative goodwill	6.4	–
non-deductible expenses	– 11.8	– 11.9
withholding taxes on dividends	– 0.7	– 0.8
change in tax rate on recognized deferred tax items	148.6	1.8
application of different tax rates	– 13.6	– 6.7
change in unrecognised tax losses	– 11.2	– 6.4
tax items related to other reporting periods	11.6	– 1.8
non-taxable measurement differences	– 12.3	– 11.9
intercompany effects	– 16.7	– 1.5
other impacts	– 9.1	5.7
Current income taxes	3.3	– 140.3

In 2019, the 'other impacts' item was heavily affected by the impairment of a tax credit.

36. EARNINGS PER SHARE

	2019	2020
Profit for the period attributable to shareholders (CHF million)	694.2	434.3
Average number of shares outstanding	46,219,774	45,031,594
Basic earnings per share (CHF)	**15.02**	**9.65**

	2019	2020
Profit for the period attributable to shareholders (CHF million)	**694.2**	**434.3**
Average number of shares outstanding	46,219,774	45,031,594
Adjustment due to theoretical exercise of share-based payment plans	76,832	82,091
Adjusted average number of shares outstanding	**46,296,606**	**45,113,685**
Diluted earnings per share (CHF)	**14.99**	**9.63**

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

37. OTHER COMPREHENSIVE INCOME

37.1 Other comprehensive income

CHF million	2019	2020
Items not to be reclassified to the income statement		
Change in reserves arising from reclassification of investment property	–	–
Change in reserves arising from assets and liabilities of post-employment benefits (defined benefit plans)	– 118.5	– 58.7
Change arising from shadow accounting	40.4	33.1
Exchange differences	4.0	0.1
Deferred taxes	7.1	7.3
Total items not to be reclassified to the income statement	– 67.1	– 18.2
Items to be reclassified to the income statement		
Available-for-sale financial assets:		
Gains and losses arising during the reporting period	1,723.6	478.2
Gains and losses reclassified to the income statement	– 357.5	– 91.4
Total available-for-sale financial assets	1,366.1	386.8
Investments in associates:		
Gains and losses arising during the reporting period	4.4	– 0.2
Gains and losses reclassified to the income statement	–	– 4.0
Total investments in associates	4.4	– 4.2
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	35.3	122.3
Gains and losses reclassified to the income statement	– 18.9	– 2.6
Total hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	16.4	119.7
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	– 518.7	– 91.6
Exchange differences	– 112.8	– 134.8
Deferred taxes	– 171.4	– 50.1
Total items to be reclassified to the income statement	583.2	225.1
Total other comprehensive income	516.1	206.9

37.2 Deferred taxes on other comprehensive income

	2019	2020
CHF million		
Other comprehensive income before deferred taxes	675.7	249.5
Deferred taxes of items not to be reclassified to the income statement		
Change in reserves arising from reclassification of investment property	0.2	–
Change in reserves arising from assets and liabilities of post-employment benefits (defined benefit plans)	19.7	17.9
Change arising from shadow accounting	– 12.9	– 10.5
Additions and disposals arising from change in the scope of consolidation	–	–
Total deferred taxes of items not to be reclassified to the income statement	7.1	7.3
Deferred taxes on items to be reclassified to the income statement		
Available-for-sale financial assets	– 266.1	– 60.5
Investments in associates	– 1.4	0.1
Hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	– 0.7	– 18.1
Reserves arising from reclassification of held-to-maturity financial assets	0.3	0.1
Change arising from shadow accounting	96.4	28.4
Additions and disposals arising from change in the scope of consolidation	0.0	–
Total deferred taxes of items to be reclassified to the income statement	– 171.4	– 50.1
Change arising from exchange differences	4.7	0.2
Other comprehensive income after deferred taxes	516.1	206.9

The prior-year figures in the statement of comprehensive income were adjusted slightly due to the more detailed presentation of exchange differences.

All prior-year figures under ‘other comprehensive income’ in chapter 37.1 were adjusted, with the exception of the following line items:

- Change in reserves arising from reclassification of investment property
- Total items not to be reclassified to the income statement
- Hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation
- Reserves arising from reclassification of held-to-maturity financial assets
- Total items to be reclassified to the income statement
- Total other comprehensive income

Under deferred taxes on other comprehensive income in chapter 37.2, adjustments to prior-year figures were made for the following line items only:

- Total deferred taxes of items not to be reclassified to the income statement
- Total deferred taxes of items to be reclassified to the income statement
- Change arising from exchange differences

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Other disclosures

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

38.1 ACQUISITION AND DISPOSAL OF COMPANIES

		Cumulative acquisitions		Cumulative disposals
	2019	2020	2019	2020
CHF million				
Investments	2,300.7	1.2	44.2	–
Other assets	65.7	8.9	25.0	–
Receivables and assets	196.4	88.2	0.7	–
Cash and cash equivalents	333.4	337.5	8.1	–
Actuarial liabilities	– 1,130.8	– 393.5	– 70.5	–
Other accounts payable	– 1,200.7	– 0.6	– 6.1	–
Non-controlling interests	–	–	–	–
Net assets acquired / disposed of	**564.8**	**41.7**	**1.4**	**–**
Funds used / received for acquisitions and disposals				
Cash and cash equivalents	541.9	63.9	1.5	–
Offsetting	1.2	–	0.2	–
Transfer of assets	–	–	–	–
Directly attributable costs	–	–	–	–
Equity instruments issued	–	–	–	–
Reclassification of investments in associates	–	–	–	–
Acquisition / disposal price	**543.1**	**63.9**	**1.7**	**–**
Net assets acquired / disposed of	– 564.8	– 41.7	– 1.4	–
Other comprehensive income [1]	–	–	–	–
Goodwill / negative goodwill or proceeds from disposals	**– 21.7**	**22.2**	**0.3**	**–**
Cash and cash equivalents used / received for acquisitions and disposals	– 543.1	– 63.9	1.5	–
Cash and cash equivalents acquired / disposed of	333.4	337.5	– 8.1	–
Outflow / inflow of cash and cash equivalents	**– 209.7**	**273.7**	**– 6.6**	**–**

1 This includes primarily historical cumulative exchange differences.

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

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

In 2019, the Baloise Group acquired the voting rights in Belgian multi-sector insurer Fidea NV, thereby considerably strengthening its position in the Belgian market. The purchase price amounted to CHF 535.8 million. This acquisition resulted in negative goodwill of CHF 25.5 million, which was recognised under other operating income.

In 2019, the Baloise Group also expanded its 'Home' ecosystem in Switzerland by acquiring a number of companies.

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

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

In 2019, the branches of Basler Sachversicherungs-AG and Basler Lebensversicherungs-AG in the Czech Republic and Slovakia were sold. This disposal had no material impact on earnings in the consolidated financial statements of 2019.

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

38.2 Changes to shareholdings

In 2020, 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.

2019	Carrying amount	Baloise's share of			
		profit or loss for the period from continuing operations	profit or loss for the period from disposal groups held for sale	other comprehensive income[1]	comprehensive income
CHF million					
Total	387.4	10.8	–	4.4	15.2

2020	Carrying amount	Baloise's share of			
		profit or loss for the period from continuing operations	profit or loss for the period from disposal groups held for sale	other comprehensive income	comprehensive income
CHF million					
Total	263.4	64.1	–	–4.2	59.9

1 The prior-year figure have been adapted to the modified presentation for other comprehensive income. Further details can be found in chapter 37.

The Belgium strategic business unit invested in the innovative start-up Keypoint BV, acquiring a 28.75 per cent equity interest with effect from 17 February 2020. Baloise and Keypoint are jointly developing a new digital assistant that is designed to simplify the work of property managers. Also in Belgium, on 19 June 2020 Baloise acquired a 27 per cent stake in Walloon

start-up Immopass SRL, a service provider specialising in technical property inspection. The total cost of these two capital investments was in the low single-digit millions.
At the end of July 2020, the Swiss strategic business unit acquired a 25 per cent stake in Zurich-based asset manager Tolomeo Capital.

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

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

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

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

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

As at 31 December 2020 or 31 December 2019, the Baloise Group held more than 20 per cent of the capital of further companies but does not have any influence over these companies' management. As a result, they are not reported as associates.

There were no contingent liabilities arising from investments in associates and no substantial unrecognised shares of the losses of associates as at either 31 December 2020 or 31 December 2019.

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.

31.12.2020	Primary activity	Operating segment[1]	Group's share of voting rights / capital (per cent)[2]	Direct share of voting rights / capital (per cent)[2]	Method of consolidation[3]	Currency	Share capital (million)	Total assets (million)	Gross premiums / policy fees (million)
Switzerland									
Bâloise Holding Ltd, Basel	Holding	O	Holding	Holding	F	CHF	4.9	3,161.6	–
Baloise Insurance Ltd, Basel	Non-Life	NL	100.00	100.00	F	CHF	75.0	5,680.2	1,464.6
Baloise Life Ltd, Basel	Life	L	100.00	100.00	F	CHF	50.0	33,838.9	2,648.2
Baloise Bank SoBa AG, Solothurn	Banking	B	100.00	100.00	F	CHF	50.0	8,595.5	–
Haakon AG, Basel	Other	O	74.75	74.75	F	CHF	0.2	31.0	–
Baloise Asset Management AG, Basel	Investment management	B	100.00	100.00	F	CHF	1.0	63.8	–
Baloise Asset Management International AG, Basel	Investment consulting	B	100.00	100.00	F	CHF	1.5	13.5	–
Baloise Fund Invest Advico, Bertrange (Luxembourg)	Other	B	100.00	100.00	F	EUR	0.1	10.5	–
Germany									
Basler Lebensversicherungs-Aktiengesellschaft, Hamburg	Life	L	100.00	100.00	F	EUR	22.0	9,897.6	355.2
Basler Sachversicherungs-Aktiengesellschaft, Bad Homburg	Non-Life	NL	100.00	100.00	F	EUR	15.1	1,926.5	725.6
Deutsche Niederlassung der FRIDAY Insurance S.A., Berlin	Non-Life	NL	83.95[4]	100.00	F	EUR	–	81.1	29.3
Basler Sach Holding AG, Hamburg	Holding	O	100.00	100.00	F	EUR	3.6	209.0	–
ZEUS Vermittlungsgesellschaft mbH, Hamburg	Other	O	100.00	100.00	F	EUR	0.5	11.30	–

1 L: Life, NL: Non-Life, B: Banking, O: Other activities / Group business.
2 Shares stated as a percentage are rounded down.
3 F: Full consolidation, E: Equity-accounted investment.
4 No non-controlling interests are shown in equity in this context.

31.12.2020	Primary activity	Operating segment[1]	Group's share of voting rights / capital (per cent)[2]	Direct share of voting rights / capital (per cent)[2]	Method of consolidation[3]	Currency	Share capital (million)	Total assets (million)	Gross premiums / policy fees (million)
Belgium									
Baloise Belgium NV, Antwerp	Life and Non-Life	L/NL	100.00	100.00	F	EUR	355.3	13,743.1	1,489.7
Euromex NV, Antwerp	Non-Life	NL	100.00	100.00	F	EUR	2.7	250.2	82.1
Luxembourg									
Bâloise (Luxembourg) Holding S.A., Bertrange (Luxembourg)	Holding	O	100.00	100.00	F	CHF	250.0	1,926.1	–
Bâloise Assurances Luxembourg S.A., Bertrange (Luxembourg)	Non-Life	NL	100.00	100.00	F	EUR	15.8	393.2	129.5
Bâloise Vie Luxembourg S.A., Bertrange (Luxembourg)	Life	L	100.00	100.00	F	EUR	32.7	9,211.2	67.3
Baloise Private Equity (Luxembourg) SCS, Luxembourg	Investment management	L/NL	100.00	100.00	F	USD	0.0	752.2	–
Other territories									
Baloise Life (Liechtenstein) AG, Balzers	Life	L	100.00	100.00	F	CHF	7.5	2,741.0	0.5
Baloise Finance (Jersey) Ltd., Jersey	Other	O	100.00	100.00	F	CHF	0.3	1.1	–
Baloise Alternative Investment Strategies Limited, St. Helier (Jersey / Channel Islands)	Investment management	L/NL	100.00	100.00	F	USD	0.0	0.4	–

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

39. RELATED PARTY TRANSACTIONS

In the course of its ordinary operating activities, the Baloise Group conducts transactions with associates, key management personnel and related parties. The terms and conditions governing such transactions can be found in the Remuneration Report as part of corporate governance (page 104 to 129).

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	
	2019	2020	2019	2020	2019	2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020
CHF million										
Associates	–	–	0.1	5.7	–3.1	–21.5	–	–	–	–2.7
Key management personnel [1]	0.1	0.1	0.0	0.0	–12.7	–11.4	9.3	7.5	–	–

EXECUTIVE MANAGEMENT TEAM REMUNERATION

	2019	2020
CHF million		
Short-term employee benefits	–7.1	–6.8
Post-employment benefits	–1.1	–1.1
Payments under share-based payment plans	–4.2	–3.3
Discount Share Subscription Plan [1]	–0.2	–0.2
Total	–12.7	–11.4

1 Shares under the Share Subscription Plan are issued to key management personnel at a 10 per cent discount. This discount is now also included under expenses. The presentation of the prior-year figures has been adjusted accordingly.

15,472 shares worth CHF 2.4 million were repurchased from members of the Corporate Executive Committee in 2020 (2019: CHF 2.4 million) under the Share Participation Plan (section 17.4.3).

40. CONTINGENT AND FUTURE LIABILITIES

40.1 Contingent liabilities

40.1.1 Legal disputes

The companies in the Baloise Group are regularly involved in litigation, legal claims and lawsuits, which in most cases constitute a normal part of its operating activities as an insurer.

The Corporate Executive Committee is not aware of any facts that materialised after the balance sheet date of 31 December 2020 and that could have a significant impact on the 2020 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.

	31.12.2019	31.12.2020
CHF million		
Guarantees	63.3	62.7
Collateral	472.1	478.0
Total guarantees and collateral for the benefit of third parties	535.4	540.7

CREDIT RATINGS OF GUARANTEES AND COLLATERAL

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

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

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

CARRYING AMOUNTS OF ASSETS PLEDGED OR CEDED AS COLLATERAL

CHF million	31.12.2019	31.12.2020
Financial assets under repurchase agreements	260.1	47.1
Financial assets in the context of securities lending	4,166.8	3,826.7
Investments	2,288.2	2,531.0
Pledged intangible assets	–	–
Pledged property, plant and equipment	–	–
Other	–	–
Total	6,715.0	6,404.9

FAIR VALUE OF COLLATERAL HELD

CHF million	31.12.2019	31.12.2020
Financial assets under reverse repurchase agreements	–	–
Financial assets in the context of securities lending	5,865.6	5,307.9
Other	–	–
Total	5,865.6	5,307.9
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	31.12.2019	31.12.2020
Commitments undertaken for future acquisition of		
investment property	350.2	529.4
financial assets	666.6	1,239.2
property, plant and equipment	–	–
intangible assets	–	–
Total commitments undertaken	1,016.8	1,768.7

CREDIT RATINGS OF CAPITAL COMMITMENTS

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

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

Obligations undertaken by the Baloise Group to make future purchases of investments include commitments in respect of private equity, which constitute unfunded commitments to invest directly in private equity or to invest in private equity funds. From 2020 onwards, additional investment obligations in connection with the Dutch mortgage fund will be reported under commitments regarding the future acquisition of investments.

41. LEASES

41.1 The Baloise Group as a lessee

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

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

DUE DATES OF UNDISCOUNTED LEASE LIABILITIES

CHF million	2019	2020
Due within one year	17.6	13.5
Due after one to three years	20.3	16.3
Due after three to five years	5.9	5.0
Due after five years or more	0.6	4.6
Total contractual cash flows	44.4	39.5
Book value lease liabilities	43.0	38.9

LEASING IN THE INCOME STATEMENT

CHF million	2019	2020
Income relating to sublease contracts	0.7	0.5
Expenses relating to leases of low-value and short-term leases	– 6.0	– 6.2
Interests expenses on leasing liabilities	– 0.7	– 0.5
Depreciation and impairment of right-of-use assets	– 16.3	– 16.5

Leases that have not yet started

Bâloise Assurances Luxembourg S.A. has signed a binding lease with a third party for the rental of an office building in Luxembourg. According to the leasing arrangement, the office building is likely to be made available from June 2022 until 2037. The right-of-use asset and lease liability for this lease are estimated to be CHF 42.7 million.

41.2 The Baloise Group as a lessor

The Baloise Group has entered into operating leasing arrangements in order to lease its investment property to third parties. There were no further leasing arrangements at the balance sheet date.

DUE DATES OF LEASING INCOME

	2019	2020
CHF million		
Due within one year	347.7	355.2
Due after one to three years	662.5	677.4
Due after three to five years	721.0	725.1
Due after five years or more	258.8	174.1
Total	1,990.0	1,931.9

LEASING IN THE INCOME STATEMENT

	2019	2020
CHF million		
Fixed lease income	364.5	357.2
Variable lease income	–	–
Leasing income	364.5	357.2

42. EVENTS AFTER THE BALANCE SHEET DATE

On 4 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.

By the time that these consolidated annual financial statements had been completed on 24 March 2021, we had not become aware of any further events that would have a material impact on the consolidated annual financial statements as a whole.

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To the Annual General Meeting of
Bâloise Holding Ltd, Basel

Basel, 24 March 2021

Report of the statutory auditor on the consolidated financial statements

Opinion

We have audited the consolidated financial statements (pages 134 - 281) of Bâloise Holding Ltd and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2020, 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 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the section Auditor's Responsibilities for the Audit of the Consolidated Financial Statements of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters

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

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

Valuation of claims reserves - non-life

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

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

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	participation features" and 5.5.2 "Assumptions" in the financial report. The impact of various scenarios on actuarial reserves is described in note 5.5.3 "Sensitivity analysis". We also refer to note 22.2 of the Group's financial statements, providing the financials of the technical provisions.
Our audit response	As part of the audit, we involved our life insurance actuarial specialists. On a sample basis, the actuaries assessed the methodology and underlying assumptions used by Management as well as the implementation of the technical reserves based on tariff assumptions. In addition, we assessed the actuarial reserves by reviewing Management's Liability Adequacy Tests (LAT). We further tested the operating effectiveness of selected key controls over the input parameters and the mathematical correctness of the actuarial calculations. In addition, we evaluated the required disclosures in the notes to the financial statements. Based on our audit procedures we did not identify exceptions with regard to the valuation of life insurance technical reserves.

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

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

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

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

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

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Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. The description forms part of our auditor’s report.

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

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

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

This audit report is a translation of the audit report issued in German. Please also refer to the disclosure on page 317 "Information on the Baloise Group" referencing the fact that only the German text of the annual report is legally binding.

Bâloise Holding Ltd

Income statement of Bâloise Holding Ltd

CHF million	Note	2019	2020
Income from long-term equity investments		646.6	384.6
Income from interest and securities	2	38.5	58.7
Other income	3	17.4	8.8
Total income		702.5	452.1
Administrative expenses	4	– 51.7	– 43.8
Depreciation, amortisation and impairment	5	– 62.5	– 1.8
Interest expenses	6	– 32.7	– 31.0
Other expenses		– 3.7	– 3.0
Total expenses		– 150.6	– 79.6
Tax expense		– 0.2	– 0.2
Profit for the period		551.7	372.3

Balance sheet of Bâloise Holding Ltd

	Note	31.12.2019	31.12.2020
CHF million			
Assets			
Cash and cash equivalents		46.2	21.2
Receivables from Group companies	7	361.0	408.1
Receivables from third parties		4.0	7.3
Current assets		411.2	436.6
Financial assets			
Loans to Group companies	8	1,063.2	1,148.8
	9	–	0.4
Long-term equity investments	10	1,836.4	1,871.2
Non-current assets		2,899.6	3,020.4
Total assets		3,310.8	3,457.0
Equity and liabilities			
Current liabilities			
Liabilities to Group companies		6.8	6.0
Liabilities to third parties		12.6	0.2
Current interest-bearing liabilities to third parties	11	300.0	375.0
Deferred income		23.2	19.5
Non-current liabilities			
Long-term interest-bearing liabilities to Group companies		580.0	777.0
Long-term interest-bearing liabilities to third parties	12	1,525.0	1,450.0
Provisions		0.3	–
Liabilities		2,447.9	2,627.7
Share capital		4.9	4.9
Statutory retained earnings			
General reserve		11.7	11.7
Reserve for treasury shares		8.3	9.2
Voluntary retained earnings			
Free reserves		683.2	922.3
Distributable profit:			
– Profit carried forward		0.8	0.1
– Profit for the period		551.7	372.3
Treasury shares	13	–397.7	–491.3
Equity	14	862.9	829.3
Total equity and liabilities		3,310.8	3,457.0

Notes to the financial statements of Bâloise Holding Ltd

1. ACCOUNTING POLICIES

General

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

All amounts shown in these annual financial statements of Bâloise Holding Ltd are stated in millions of Swiss francs (CHF million) and have been rounded to one decimal place. Consequently, the sum total of amounts that have been rounded may in isolated cases differ from the rounded total shown in this report.

Cash and cash equivalents

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

Receivables from Group companies

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

Receivables from third parties

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

Loans to Group companies

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

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

	2019	2020
CHF million		
Income from treasury shares	9.4	19.6
Interest on loans to Group companies	28.3	39.0
Realized income treasury shares	0.8	–
Other income from interest and securities	0.0	0.1
Total income from interest and securities	38.5	58.7

3. OTHER INCOME

	2019	2020
CHF million		
Write-up on long-term equity investment	–	–
Capital Market transaction income	4.3	–
Sundry other income	13.1	8.8
Total other income	17.4	8.8

4. ADMINISTRATIVE EXPENSES

CHF million	2019	2020
Personnel expenses [1]	– 35.9	– 27.7
Other administrative expenses	– 15.8	– 16.1
Total administrative expenses	**– 51.7**	**– 43.8**

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

5. DEPRECIATION, AMORTISATION AND IMPAIRMENT

CHF million	2019	2020
Impairment losses on long-term equity investments	– 43.0	–
Impairment losses on loans	– 16.0	– 1.4
Others	– 3.5	– 0.4
Total depreciation, amortisation and impairment	**– 62.5**	**– 1.8**

Due to a restructuring measure implemented in 2020, the long-term equity investment in Baloise Life (Liechtenstein) AG and the subordinated loan from Bâloise Holding Ltd to Baloise Life (Liechtenstein) AG were written down by their remaining carrying amounts at the end of 2019 in accordance with Swiss recognised accounting principles (GoR).

6. INTEREST EXPENSES

CHF million	2019	2020
Interest on bonds	– 26.3	– 24.4
Other interest expenses	– 6.3	– 6.6
Total interest expenses	**– 32.7**	**– 31.0**

NOTES TO THE BALANCE SHEET

7. RECEIVABLES FROM GROUP COMPANIES

CHF million	31.12.2019	31.12.2020
Dividends	344.7	377.4
Other receivables	16.3	30.7
Total receivables from Group companies	**361.0**	**408.1**

The annual general meeting of the following AGMs voted to recognise the dividends receivable for the 2020 financial year as accrued income:

- 25 February 2021: Haakon AG, Basel
- 05 March 2021: Baloise Bank SoBa AG, Solothurn
- 11 March 2021: Baloise Asset Management Schweiz AG, Basel and Baloise Asset Management International AG, Basel
- 23 March 2021: Basler Versicherung AG, Basel and Basler Leben AG, Basel

8. LOANS TO GROUP COMPANIES

CHF million	31.12.2019	31.12.2020
Subordinated loans to Baloise Bank SoBa	40.0	40.0
Subordinated loans to Bâloise (Luxembourg) Holding S.A.	284.6	284.6
Subordinated loans to Baloise Belgium NV	412.5	411.2
Loans to Bâloise (Luxembourg) Holding S.A.	283.7	283.7
Loans to Basler Versicherung Beteiligungen B.V. & Co. KG	42.4	42.3
Loans to Basler Versicherung Beteiligungen B.V. & Co. KG	0.0	87.0
Total loans to Group companies	**1,063.2**	**1,148.8**

9. OTHER INVESTMENTS

As at 31 December 2020, the item ‘Other investments’ includes an internal derivative hedge instrument that is measured at fair value.

10. LONG-TERM EQUITY INVESTMENTS

	Total shareholding as at 31.12.2019 (with voting rights) (per cent)[1]	Total shareholding as at 31.12.2020 (with voting rights) (per cent)[1]	Currency	Share capital as at 31.12.2020 (million)	Capital share (million)
Company					
Basler Versicherung AG, Basel	100.00	100.00	CHF	75.0	75.0
Basler Leben AG, Basel	100.00	100.00	CHF	50.0	50.0
Baloise Bank SoBa AG, Solothurn	100.00	100.00	CHF	50.0	50.0
Baloise Asset Management Schweiz AG, Basel	100.00	100.00	CHF	1.5	1.5
Baloise Asset Management International AG, Basel	100.00	100.00	CHF	1.5	1.5
Baloise Immobilien Management AG, Basel	100.00	100.00	CHF	1.0	1.0
Haakon AG, Basel	74.75	74.75	CHF	0.2	0.1
Baloise Life (Liechtenstein) AG, Balzers	100.00	100.00	CHF	7.5	7.5
Basler Saturn Management B.V., Amsterdam	100.00	100.00	EUR	‹0.1	‹0.1
Bâloise (Luxembourg) Holding S.A., Bertrange (Luxembourg)	100.00	100.00	CHF	250.0	250.0
Bâloise Delta Holding S.à.r.l., Bertrange (Luxembourg)	100.00	100.00	EUR	224.3	224.3
Baloise Fund Invest Advico, Bertrange (Luxembourg)	100.00	100.00	EUR	0.1	0.1
Baloise Alternative Investments Partner S.à r.l., Bertrange (Luxembourg)	100.00	100.00	EUR	‹0.1	‹0.1
Baloise Private Equity Partner S.à r.l., Bertrange (Luxembourg)	100.00	100.00	EUR	‹0.1	‹0.1
Baloise Finance (Jersey) Ltd, St. Helier (Jersey)	100.00	100.00	CHF	0.3	0.3
AboDeinAuto GmbH, Brandenburg an der Havel (Deutschland)	–	83.00	EUR	0.1	0.1
BEN Fleet Services GmbH, Karlsruhe (Deutschland)	–	37.05	EUR	0.1	0.0

1 Investments stated as a percentage are rounded down.

11. CURRENT INTEREST-BEARING LIABILITIES TO THIRD PARTIES

31.12.2020	Interest rate	Issued	Maturity date	Amount CHF million
Securities with security number				
Bond 49 669 299	var.	25.09.2019	25.03.2021	125.0
Bond 13 180 461	3.000 %	07.07.2011	07.07.2021	250.0
Total current interest-bearing liabilities				375.0

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

31.12.2020	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 20 004 482	1.750 %	26.04.2013	26.04.2023	225.0
Bond 26 139 906	1.125 %	19.12.2014	19.12.2024	150.0
Bond 45 809 797	0.500 %	28.01.2019	28.11.2025	200.0
Bond 49 669 296	0.000 %	25.09.2019	23.09.2022	200.0
Bond 49 669 297	0.000 %	25.09.2019	25.09.2026	100.0
Bond 49 669 298	0.000 %	25.09.2019	25.09.2029	125.0
Bond 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
Total long-term interest-bearing liabilities				**1,450.0**

13. TREASURY SHARES

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

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

14. CHANGES IN EQUITY

2019	Share capital	Statutory retained earnings		Voluntary retained earnings		Treasury shares	Total equity
		General reserve	Reserve for treasury shares	Free reserves	Distributable profit		
CHF million							
Balance as at 1 January	4.9	11.7	6.4	566.1	412.6	– 206.7	795.0
Allocation 2019	–	–	–	119.0	– 119.0	–	–
Dividend	–	–	–	–	– 292.8	–	– 292.8
Additions	–	–	–	–	–	–	–
Change in treasury shares	–	–	–	–	–	– 191.0	– 191.0
Recognition / reversal	–	–	1.9	– 1.9	–	–	–
Profit for the period	–	–	–	–	551.7	–	551.7
Balance as at 31 December	4.9	11.7	8.3	683.2	552.5	– 397.7	862.9

2020	Share capital	Statutory retained earnings		Voluntary retained earnings		Treasury shares	Total equity
		General reserve	Reserve for treasury shares	Free reserves	Distributable profit		
CHF million							
Balance as at 1 January	4.9	11.7	8.3	683.2	552.5	– 397.7	862.9
Allocation 2020	–	–	–	240.0	– 240.0	–	–
Dividend	–	–	–	–	– 312.3	–	– 312.3
Additions	–	–	–	–	–	–	–
Change in treasury shares	–	–	–	–	–	– 93.6	– 93.6
Recognition / reversal	–	–	0.9	– 0.9	–	–	–
Profit for the period	–	–	–	–	372.3	–	372.3
Balance as at 31 December	4.9	11.7	9.2	922.3	372.5	– 491.3	829.3

15. SIGNIFICANT SHAREHOLDERS

The information available to the Company reveals that the following significant shareholders and shareholder groups linked by voting rights held long-term equity investments in the Company within the meaning of section 663c of the Swiss Code of Obligations (OR) as at 31 December 2020:

	Total shareholding as at 31.12.2019 [1]	Share of voting rights as at 31.12.2019 [2]	Total shareholding as at 31.12.2020 [1]	Share of voting rights as at 31.12.2020 [2]
Per cent				
Shareholders				
Chase Nominees Ltd. [3]	8.4	2.0	7.5	2.0
BlackRock Inc.	›5.0	‹2.0	›5.0	1.0
UBS Fund Management AG	3.3	0.0	›3.0	2.0
LSV Asset Management	›3.0	0.0	›3.0	0.0
Nortrust Nominees Ltd. [3]	3.2	0.0	3.0	0.0
Norges Bank	–	–	›3.0	0.0
Bank of New York Mellon N.V. [3]	4.2	0.0	2.3	0.0
Credit Suisse Funds AG	3.1	0.0	›3.0	2.0

1 According to SIX Swiss Exchange (https: / / www.six-exchange-regulation.com / en / home / publications / significant-shareholders.html).
2 According to the share register.
3 Custodian nominees who hold shares in trust for third parties are counted as part of the free float under the SIX Exchange regulations. Such shareholder groups are not subject to disclosure requirements under Swiss stock market legislation.

16. CONTINGENT LIABILITIES

	31.12.2019	31.12.2020
CHF million		
Collateral, guarantee commitments	502.5	502.2

Bâloise Holding Ltd has issued the following letter of comfort:

As the owner of Baloise Life (Liechtenstein) AG, Bâloise Holding Ltd, Basel, has undertaken to ensure that its subsidiary Baloise Life (Liechtenstein) AG is at all times in a financial position to meet in full its liabilities to its customers arising from the contracts relating to its RentaSafe, BelRenta Safe, RentaProtect and RentaSafe Time products, especially its guarantee commitments.

Since October 2012, this letter of comfort has also applied to customers with contracts relating to RentaProtect Time and RentaSafe Time (D-CHF) products that were sold by Baloise Life (Liechtenstein) AG. The maximum obligation amounts to the present value of the outstanding guaranteed insurance benefits as at 31 December 2020. With effect from 1 July 2020, the portfolio of customers from Switzerland using such products was transferred from Baloise Life (Liechtenstein) AG to Baloise Life Ltd. The letter of comfort continues to apply to the transferred policies. The portfolio of customers from other countries, especially those from European countries, remained with Baloise Life (Liechtenstein) AG. As at the balance sheet date, the expected insurance benefits were fully backed by customer deposit accounts governed by individual agreements, reinsurance contracts and additional reserves.

Until at least 31 December 2021, Bâloise Holding Ltd will endeavour to ensure that the subsidiary Baloise Belgium has the resources needed to maintain a defined Solvency II minimum level and that Baloise Belgium operates its business in such a way that it remains solvent.

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

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

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

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 104 to 129 in the part of corporate governance. The key information disclosed here includes

- remuneration paid to the members of the Board of Directors,
- remuneration paid to the members of the Corporate Executive Committee,
- loans and credit facilities granted to members of the Board of Directors and the Corporate Executive Committee,
- shares and options held by members of the Board of Directors and the Corporate Executive Committee.

18. NET REVERSAL OF HIDDEN RESERVES

No hidden reserves were reversed during the reporting period or in 2019.

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 4 February 2021, Bâloise Holding Ltd issued a bond 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.

By the time that these annual financial statements had been completed on 24 March 2021, 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 372,317,275.70.

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.

	2019	2020
CHF		
Profit for the period	551,688,704.77	372,317,275.70
Profit carried forward from the previous year	770,322.44	139,027.21
Distributable profit	**552,459,027.21**	**372,456,302.91**
Proposals by the Board of Directors:		
Dividend	– 312,320,000.00	– 312,320,000.00
Allocated to free reserves	– 240,000,000.00	– 60,000,000.00
Withdrawn from free reserves	–	–
Profit to be carried forward	**139,027.21**	**136,302.91**

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 6.40 gross or CHF 4.16 net of withholding tax.

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To the Annual General Meeting of
Bâloise Holding Ltd, Basel

Basel, 24 March 2021

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements (pages 290 - 301) of Bâloise Holding Ltd, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2020.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2020 comply with Swiss law and the company's articles of incorporation.

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Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Valuation of long-term equity investments

Area of focus	Bâloise Holding Ltd accounts for long-term equity investments at cost less necessary impairments and valued on an individual basis. Management assesses whether there are any impairment losses in the carrying value of the long-term equity investments by comparing the carrying amount to the net asset value of the subsidiary or to a valuation of the subsidiary using a discounted cash flow analysis. The determination whether a long-term equity investment needs to be impaired involves management's judgement. This includes assumptions about the profitability of the underlying business and growth. Long-term equity investments amount to CHF 1.9 bn as of 31 December 2020 and represent the most important balance of a total balance sheet of CHF 3.6 bn. We consider this a key audit matter not only due to the judgement involved, but also based on the magnitude of the carrying value of the long-term equity investments within the financial statements of Bâloise Holding Ltd.
Our audit response	In relation to the key audit matter set out above, we assessed the appropriateness of the company's impairment testing methodology. We audited management's impairment test on the carrying value of each investment, including the assessment of management's assumptions. We have audited the required disclosures in the notes to the financial statements as at 31 December 2020. Based on our audit procedures we did not identify exceptions with regard to the valuation of long-term equity investments.

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

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

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

Ernst & Young Ltd

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

This audit report is a translation of the audit report issued in German. Please also refer to the disclosure on page 317 "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 https://www.baloise.com/en/home/investors/publications.html

DEFINITIONS, USAGE AND LIMITATIONS

Return on equity (RoE)

Definition and benefits

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

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

Limitations

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

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

Combined ratio (CR)

Definition and benefits

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

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

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

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

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

Limitations

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

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

Annual premium equivalent (APE)

Definition and benefits

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

Limitations

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

Value of new business (VNB)

Definition and benefits

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

Limitations

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

New business margin (NBM)

Definition and benefits

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

Limitations

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

Total assets under management (AuM)

Definition and benefits

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

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

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

Limitations

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

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Glossary

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

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

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

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

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

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

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

- **Claims reserve**
  A reserve for claims that have not been settled by the end of the year.

- **Combined ratio**
  A non-life insurance ratio that is defined as the sum of the cost of claims settled (claims ratio), total expenses (expense ratio) and profit sharing (profit-sharing ratio) as a percentage of total premiums. This ratio is used to gauge the profitability of non-life insurance business.

- **Deferred taxes**
  Probable future tax expenses and tax benefits arising from temporary differences between the carrying amounts of assets and liabilities recognised in the consolidated financial statements and the corresponding amounts reported for tax purposes. The pertinent calculations are based on country-specific tax rates.

- **Expense ratio**
  Non-life insurance business expenses as a percentage of total premiums.

- **Fixed-income securities**
  Securities (primarily bonds) that yield a fixed rate of interest throughout their term to maturity.

- **Gross**
  The gross figures shown on the balance sheet or income statement in an insurance company's annual report are stated before deduction of reinsurance.

- **Group life business**
  Insurance policies taken out by companies or their employee benefit units for the occupational pension plans of their entire workforce.

- **Impairment**
  An asset write-down that is recognised in profit or loss. An impairment test is carried out to ascertain whether an asset's carrying amount is higher than its recoverable amount. If this is the case, the asset is written down to its recoverable amount and a corresponding impairment loss is recognised in the income statement.

- **Insurance benefit**
  The benefits provided by the insurer in connection with the occurrence of an insured event.

- **International Financial Reporting Standards**
  Since 2000 the Baloise Group has been preparing its consolidated financial statements in compliance with International Financial Reporting Standards (IFRS), which were previously called International Accounting Standards (IAS).

- **Investments**
  Investments comprise investment property, equities and alternative financial assets (financial instruments with characteristics of equity), fixed-income securities (financial instruments with characteristics of liabilities), mortgage assets, policy loans and other loans, derivatives, and cash and cash equivalents.

- **Investment-linked life insurance**
  Life insurance policies under which policyholders invest their savings for their own account and at their own risk.

- **Investment-linked premium**
  Premium income from life insurance policies under which the insurance company invests the policyholder's savings for the latter's own account and at his or her own risk. The International Financial Reporting Standards applied by the Baloise Group do not allow the savings component of this premium income to be recognised as revenue on the income statement.

- **Legal quota**
  A legally or contractually binding percentage requiring life insurance companies to pass on a certain share of their profits to their policyholders.

- **Minimum interest rate**
  The minimum guaranteed interest rate paid to savers under occupational pension plans.

- **Net**
  The net figures shown on the balance sheet or income statement in an insurance company's annual report are stated after deduction of reinsurance.

- **New business margin**
  The value of new business divided by the annual premium equivalent (APE).

- **Operating segments**
  Similar or related business activities are grouped together in operating segments. The Baloise Group's operating segments are Non-Life, Life, Banking (which includes asset management), and Other Activities. The "Other Activities" operating segment includes equity investment companies, real estate firms and financing companies.

- **Performance of investments**
  Performance in this context is defined as the rates of return that Baloise generates from its investments. It constitutes the gains, losses, income and expenses recognised in the income statement plus changes in unrealised gains and losses as a percentage of the average portfolio of investments held.

- **Periodic premium**
  Periodically recurring premium income (see definition of “premium”).

- **Policyholder’s dividend**
  An annual, non-guaranteed benefit paid to life insurance policyholders if the revenue generated by their policies is higher and / or the risks and costs associated with their policies are lower than the assumptions on which the calculation of their premiums was based.

- **Premium**
  The amount paid by the policyholder to cover the cost of insurance.

- **Premium earned**
  The proportion of the policy premium available to cover the risk insured during the financial year, i. e. the premium minus changes in unearned premium reserves.

- **Profit after taxes**
  Profit after taxes is the consolidated net result of all income and expenses, minus all borrowing costs as well as current income taxes and deferred taxes. Profit after taxes includes non-controlling interests.

- **Profit-sharing ratio**
  Total profit sharing as a percentage of total premiums; profit sharing is defined as the reimbursement of amounts to non-life policyholders to reflect the profitability of insurance policies.

- **Reinsurance**
  If an insurance company itself does not wish to bear the full risk arising from an insurance policy or an entire portfolio of policies, it passes on part of the risk to a reinsurance company or another direct insurer. However, the primary insurer still has to indemnify the policyholder for the full risk in all cases.

- **Reserves**
  A measurement of future insurance benefit obligations arising from known and unknown claims that are reported as liabilities on the balance sheet.

- **Return on equity**
  A calculation of the percentage return earned on a company’s equity capital during a financial year; it represents the profit generated in a given financial year divided by the company’s average equity during that period.

- **Risk scoring**
  Risk scoring uses analytical statistical methods to derive risk assessments from collected data based on empirical values. Insurance companies use this kind of scoring to ensure that the premiums they charge reflect the risks involved.

- **Run-off business**
  An insurance policy portfolio that has ceased to accept new policies and whose existing policies are gradually expiring.

- **Segment**
  Financial reporting in the Baloise Group is carried out in accordance with International Financial Reporting Standards (IFRSs), which require similar transactions and business activities to be grouped and presented together. These aggregated operating activities are presented in “segments”, broken down by geographic region and business line.

- **Share buy-back programme**
  Procedure approved by the Board of Directors under which Baloise can repurchase its own outstanding shares. Companies in Switzerland open a separate trading line in order to carry out such buy-backs.

- **Shares issued**
  The total number of shares that a company has issued; multiplying the total number of shares in issue by their face value gives the company's nominal share capital.

- **Single premium**
  Single premiums are used to finance life insurance policies at their inception in the form of a one-off payment. They are mainly used to fund wealth-building life insurance policies, with the prime focus on investment returns and safety.

- **Swiss Leader Index**
  The Swiss Leader Index (SLI) comprises the 30 largest and most liquid equities on the Swiss stock market.

- **Solvency**
  Minimum capital requirements that the regulatory authorities impose on insurance companies in order to cover their business risks (investments and claims). These requirements are usually specified at a national level and may vary from country to country.

- **Technical reserve**
  Insurers disclose on their balance sheets the value of the benefits that they expect to have to provide in future under their existing insurance contracts. This value is calculated from a current perspective in accordance with generally accepted principles.

- **Technical result**
  Baloise calculates its technical result by netting all income and expenses arising from its insurance business. Its technical result does not include income and expenses unrelated to its insurance business or the net gains or losses on its investments.

- **Unearned premium reserves**
  Deferred income arising from premiums that have already been paid for periods after the balance sheet date.

- **Unrealised gains and losses (recognised directly in equity)**
  Unrealised gains and losses are increases or decreases in value that are not recognised in profit or loss and arise from the measurement of assets. They are recognised directly in equity after deduction of deferred policyholders' dividends (life insurance) and deferred taxes. These gains or losses are only taken to income if the underlying asset is sold or if impairment losses are recognised.

- **Value of new business**
  The value added by new business transacted during the reporting period; this figure is measured at the time the policy is issued.

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Information on the Baloise Group

The 2020 Annual Report is also available in German. Only the German text is legally binding. The Financial Report contains the audited 2020 annual financial statements together with detailed information. The annual report contains all of the elements that, in accordance with section 961c of the Swiss Code of Obligations, make up the management report. This publication was produced by the Baloise Group and may not be copied, amended, offered, sold or made available to third parties without the express authorisation of the Baloise Group. Amounts and ratios shown in this annual report are generally stated in millions of Swiss francs (CHF million) and rounded to one decimal place. Consequently, the sum total of amounts that have been rounded may in some cases differ from the rounded total shown in this report.

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The sole purpose of this publication is to provide a review in summarised form of the operating performance of Baloise for the period indicated. To this end, the publication also draws on external sources of information (including data). Baloise neither guarantees nor does it recognise the accuracy of such information. Furthermore, this publication may contain forward-looking statements that include forecasts or predictions of future events, plans, goals, business developments and results and are based on Baloise's current expectations and assumptions. These forward-looking statements should be noted with due caution because they inherently contain both known and unknown risks, are subject to uncertainty and may be adversely affected by other factors. Consequently, business performance, results, plans and goals could differ substantially from those presented explicitly or implicitly in these forward-looking statements. Factors that could influence actual outcomes include, for example, (i) changes in the overall state of the economy, especially in key markets; (ii) financial market performance; (iii) competitive factors; (iv) changes in interest rates; (v) exchange rate movements; (vi) changes in the statutory and regulatory framework, including accounting standards; (vii) frequency and magnitude of claims as well as trends in claims history; (viii) mortality and morbidity rates; (ix) renewal and expiry of insurance policies; (x) legal disputes and administrative proceedings; (xi) departure of key employees; and (xii) negative publicity and media reports. This list is not considered exhaustive. Baloise accepts no obligation to update or revise forward-looking statements in order to take into consideration new information, future events, etc. Past performance is not indicative of future results.

AVAILABILITY AND ORDERING

The 2020 Annual Report and the Summary of the 2020 Annual Report will be available from 30 March 2021 on the internet at www.baloise.com/annual-report

Corporate publications can be ordered either on the internet or by post from the Baloise Group, Corporate Communications, Aeschengraben 21, 4002 Basel, Switzerland.
www.baloise.com/order

INFORMATION FOR SHAREHOLDERS AND FINANCIAL ANALYSTS

Detailed information and data on Baloise shares, the IR agenda, the latest presentations and how to contact the Investor Relations team can be found on the internet at www.baloise.com/investors
This information is available in German and English.

INFORMATION FOR MEMBERS OF THE MEDIA

You will find the latest media releases, presentations, reports, images and podcasts of various Baloise events as well as media contact details at www.baloise.com/media

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Financial calendar and contacts

30 APRIL 2021
Annual General Meeting
Bâloise Holding Ltd

26 AUGUST 2021
Half-year financial results
Conference call for analysts and the media
Publication of the 2021 half-year report

18 NOVEMBER 2021
Q3 interim statement

10 MARCH 2022
Preliminary annual financial results
Media conference
Conference call for analysts

29 MARCH 2022
Annual Report
Publication of the 2021 annual report

29 APRIL 2022
Annual General Meeting
Bâloise Holding Ltd

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