Bâloise Holding

Summary of the

ANNUAL REPORT 2015

Baloise key figures

	2014	2015	Change (%)
CHF million			
Business volume			
Gross premiums written (non-life)	3,358.8	3,050.0	– 9.2
Gross premiums written (life)	3,816.8	3,783.4	– 0.9
Sub-total of IFRS gross premiums written[1]	7,175.6	6,833.4	– 4.8
Investment-type premiums	2,130.2	2,085.1	– 2.1
Total business volume	9,305.8	8,918.6	– 4.2
Operating profit (loss)			
Profit / loss before borrowing costs and taxes			
Non-life	422.7	395.5	– 6.4
Life[2]	481.1	277.3	– 42.4
Banking	73.7	80.8	9.6
Other activities	– 48.9	– 34.4	– 29.7
Profit for the period	711.9	511.1	– 28.2
Balance sheet			
Technical reserves	48,738.9	45,765.8	– 6.1
Equity	5,831.0	5,462.3	– 6.3
Ratios (per cent)			
Return on equity (RoE)	13.5	9.3	–
Gross combined ratio (non-life)	93.7	92.5	–
Net combined ratio (non-life)	93.6	93.3	–
New business margin (life)	15.0	9.8	–
Investment performance (insurance)[3]	6.9	1.8	–
Embedded value of life insurance policies			
Embedded value (MCEV)	3,610.2	3,876.2	7.4
Annual premium equivalent (APE)	389.6	367.0	– 5.8
Value of new business	58.6	36.1	– 38.4
Key figures on the Company's shares			
Shares issued (units)	50,000,000	50,000,000	0.0
Basic earnings per share[4] (CHF)	15.15	10.96	– 27.7
Diluted earnings per share[4] (CHF)	14.63	10.65	– 27.2
Equity per share[4] (CHF)	123.4	116.2	– 5.8
Closing price (CHF)	127.80	127.60	– 0.2
Market capitalisation (CHF million)	6,390.0	6,380.0	– 0.2
Dividend per share[5] (CHF)	5.00	5.00	0.0

1 Premiums written and policy fees (gross).
2 Of which deferred gains / losses from other operating segments (31 December 2014: CHF 0.6 million; 31 December 2015: CHF –3.3 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 2015 based on the proposal submitted to the Annual General Meeting.

At a glance

Net combined ratio of
93.3 per cent

3.3 per cent
higher business volume[1]

Profit of
CHF 512.1 million
(attributable to shareholders)

Dividend of
CHF 5.00 per share
(will be proposed to the Annual General Meeting on 29 April 2016)

Equity of
CHF 5,462.3 million

Return on equity
(RoE) of 9.3 per cent

Solvency I ratio of
341 per cent

New business margin of
9.8 per cent

1 Calculated in local currency on a like-for-like basis and excluding discontinued operations (Austria, Croatia and Serbia).

What we want to achieve: By continuing to develop its solid insurance operations, Baloise is once again firmly on track to meet its targets of a combined ratio of between 93 per cent and 96 per cent, a new business margin in excess of 10 per cent and a return on equity of between 8 per cent and 12 per cent. It will continue to pay attractive and consistent dividends.

Dr Andreas Burckhardt, Chairman of the Board of Directors (right), and Dr Martin Strobel, Group CEO until 31 December 2015 (left).

Baloise meets its targets in a challenging environment

DEAR SHAREHOLDERS

Baloise has met its targets and has succeeded in consolidating its operational profitability. The challenging, exceptional economic environment had a significant impact on earnings. The Swiss National Bank's decision, on 15 January 2015, that it would no longer support the minimum exchange rate against the euro, caused the Swiss franc to strengthen. At the same time, interest rates in Switzerland tumbled, not least because of the introduction of negative interest rates by the Swiss National Bank in an attempt to weaken the Swiss franc. Under the influence of these sharp fluctuations in exchange rates and interest rates, the cost of hedging instruments also increased significantly. These three factors – the stronger franc, lower interest rates and higher hedging costs – had a noticeable effect on Baloise's earnings, so we are delighted that we managed to generate a healthy profit in 2015 in spite of them.

Baloise has a sound capital base. In August 2015, Standard & Poor's acknowledged this quality by confirming our credit rating of 'A' with a stable outlook. The Company's capital strength in accordance with the Swiss solvency test remains in the green zone. Last year, the Baloise Group demonstrated that its operational excellence and target customer management make it extremely resilient. This strength was also reflected in its profit of CHF 512.1 million. In view of the economic environment, the fact that Baloise met the financial targets it had set for 2015 represents a great achievement.

The focus on attractive target segments in our four core markets of Switzerland, Belgium, Germany and Luxembourg that we maintained in 2015 has provided a firm basis on which to build the future success of Baloise. While we are in a good position to further expand profitable areas of our business in Switzerland, Belgium and Luxembourg, the business in Germany has not yet performed as we anticipated. The problems have been identified and appropriate measures have been taken, or are under way, but the impact has not yet been reflected in the results. Nonetheless, we firmly believe in the importance of the German insurance market and the opportunities it offers.

We also believe there are further attractive opportunities in life insurance, although we will continue to prioritise innovative pension solutions in the future, such as the semi-autonomous Perspectiva pension scheme in Switzerland. This will enable us to ensure that our customers' pensions remain safe in today's environment of low interest rates. In Switzerland, demand for occupational pensions continues to grow in the segment comprising small and medium-sized companies. Particularly in the current environment, our customers value the fact that their pensions are guaranteed to be safe at all times.

Our Swiss insurance companies delivered very solid earnings in their life business and reaffirmed their excellent profitability in non-life business. Overall, the environment remained competitive, not least because of the SNB's decision and the persistent upward pressure on costs. Earnings in our German business were depressed by the exceptionally high level of large claims in the non-life segment, the adverse impact of low interest rates, and currency effects. The measures taken to optimise the business are starting to take effect, but so far have not had the anticipated impact on comprehensive income. There was encouraging growth in the business volume in Belgium in local-currency terms, particularly in investment-linked life insurance, where the rate of growth showed that the alliances entered into with banks and distribution partners are continuing to pay off. In Luxembourg, as announced in early August, we further strengthened our position in non-life business by acquiring non-life insurer HDI-Gerling Assurances SA, which means we are set to become one of the top three insurers in Luxembourg.

The profitability of Baloise's portfolio was also reflected in an excellent net combined ratio of 93.3 per cent. The challenging environment in the capital markets naturally impacted on investment returns, but a net return of 2.9 per cent enabled us to generate healthy earnings, which clearly reflects the quality of our asset management.

"We believe there are further attractive opportunities in life insurance, but we plan to prioritise the latest, innovative pension solutions."

We are very grateful to all of our employees, whose skills and ability have made a major contribution to the fact that Baloise remains one of the most profitable insurance companies in Europe, despite the challenges posed by the strong franc and globally low interest rates.

From an HR perspective, 2015 was also dominated by the announcement in May that Martin Strobel, a long-standing member of our Corporate Executive Committee and Chief Executive Officer, is to stand down. Martin Strobel joined Basler Switzerland in 1999 and has managed Baloise as its Group CEO since 2009. The Board of Directors would like to express their deep gratitude for his outstanding contribution. Under his leadership, Baloise blossomed, achieving operational strength and a high level of profitability, but the appointment in October of his successor Gert De Winter, the current CEO in Belgium and the ideal candidate, has laid the foundations for a new chapter in our Company's success.

In 2015, we generated healthy earnings that were in line with expectations. So that our shareholders also benefit from this success, we will propose to the Annual General Meeting on 29 April 2016 that the dividend, which was increased last year to CHF 5.00, be left unchanged at this attractive level. The share buy-back programme launched in 2015 is also well on course to achieve its volume of up to one million shares by 2017. In 2015, we had already purchased more than half a million shares, further concentrating our earnings power for the benefit of our owners.

The insurance industry is facing game-changing challenges. The change in consumer behaviour resulting from digitisation, for example, will influence how we meet the future demands of our customers. It will become increasingly important to innovate and break into new areas of business. The low-interest-rate phase in Europe, and particularly the negative interest rates in Switzerland and the strength of the Swiss franc, pose additional challenges for us. Thanks to our focus on our core markets, our operational excellence and our unrivalled positioning in terms of safety, security and prevention, we are able to meet these challenges from a position of strength.

Basel, March 2016

Dr Andreas Burckhardt
Chairman of the Board of Directors

Dr Martin Strobel
Group CEO
(until 31 December 2015)

“We have to create a customer experience.”

The Baloise Group has had a new Group CEO, Gert De Winter, since 1 January 2016. De Winter (49), who is Belgian, has been with Baloise for eleven years. In his previous post, he was CEO of Baloise Insurance Belgium. During this interview, he and the Chairman of the Board of Directors, Andreas Burckhardt, explain what this new era means for the future and how Baloise is facing up to the challenges in the insurance industry.

By appointing Gert De Winter, isn’t the Board of Directors sticking to the tried-and-tested rather than bringing in a new broom for Baloise?

Andreas Burckhardt (ABu): Not at all. That is certainly not how the Board of Directors and I see this appointment. Gert De Winter is obviously very familiar with the Baloise Group, having been here for eleven years. He knows how we operate and embodies our values. But that is not why he was appointed as the new CEO. Gert De Winter beat the external candidates in a lengthy and thorough selection process in which he convinced the Board of Directors that he was the best person for the job. His time as CEO in Belgium, his background and his experience of management in both IT and human resources means he will indeed bring new ideas with him that will enable us to begin a new chapter in Baloise’s success. In any case, it’s not as if we were looking for, or needed, someone to usher in change. Baloise is doing well. Gert De Winter should and will build on our tried-and-tested approach, but will also bring the skills and ideas needed to prepare the business for future challenges.

What are the challenges that you and the industry face?

ABu: Everyone is currently talking about digitisation. It will undoubtedly have a long-term impact on the industry, but even the most qualified experts are unable to tell us when or how. The fact is that the core competence of insurance companies, namely analysing data and using it for their core business of bearing/taking on risk in return for premiums, will no longer be the preserve of insurers. Companies in other industries now collect far more data than the insurance sector and, at some point, they will want to capitalise on this. That is why we as an insurance company need to lay the foundations today so that we can retain our lead when it comes to using data for our customers. This raises the question of whether in future we want to be an insurer that only bears risk or whether we want to broaden our business model. Baloise, with its safety positioning, has built up its expertise in the area of prevention over many years. We are thus facing up to these future challenges from a position of strength. Moreover, we still have to cope with the difficult interest rate situation and the strength of the Swiss franc, despite the signals sent by the US Federal Reserve at the

Gert De Winter, Group CEO from 1 January 2016.

Gert De Winter (left), Andreas Burckhardt (right).

end of last year. We've also been concerned about the huge increase in the time and expense required to deal with regulation and the ever more restrictive nature of regulation. Although we cannot influence the environment in which we operate, it is possible for politicians – and therefore for us as citizens – to attempt to fight back against this regulation. Particularly in Switzerland, I would like there to be a better understanding and relationship between business and politicians so that we as a company can continue to compete against our rivals in other countries.

What is the new CEO doing differently to his predecessor?

Gert De Winter (GDW): It's not my place to make comparisons. Everyone has their own personality, which in itself means that we all approach things differently. Baloise has worked very well over the past few years, as evidenced by the success and the results it has achieved. So it's not a matter of doing things fundamentally differently. On the other hand, the industry is facing huge challenges. My task will be to prepare Baloise for these challenges and, at the same time, to explore new opportunities. I will give my all every day to demonstrate these opportunities to employees, customers, partners and shareholders. I'll champion these opportunities and make our stakeholders enthusiastic about them too.

How do you plan to tackle the challenges mentioned?

GDW: As Andreas Burckhardt said, we find ourselves in a climate shaped by the pressures of interest rates at unprecedented low levels, fierce competition and increasing regulation. We pay CHF 5.7 million just for supervisory fees, internal expenses not included. But the market itself is shifting, too. The digital revolution has changed consumer behaviour and will continue to do so. This has an impact on our business as well. Customers are looking for simplicity, flexibility and transparency but still want maximum safety, and this means our services have to deliver a lot. Baloise's safety positioning is a first step, but we can't simply rely on it and rest on our laurels. The things that have worked in the past aren't necessarily a guarantee of success in the future. Going forward, we want to remain more than simply an insurance company. Our emotional connection as a partner to our customers is crucial in this regard. We have to create a customer experience. Customers should sense every day that we can perform our services easily, quickly and correctly and that, at the end of the day, we are making them safer. This won't work if we are only a bearer of risk. That's why I see our role as motivating employees and convincing them that each and every one of them can create these customer experiences, even in the supposedly emotionless world of insurance.

How are you going to achieve this?

GDW: Firstly, we must not neglect the core aspect of our business, i.e. the things that we do best and where our expertise lies. We therefore will not budge from our strategy of target customer management: focusing on profitable target customers who want to feel safe and appreciate it when we help them to ensure that losses do not occur in the first place. Of course we also step up if a loss event arises. In the interests of everyone who is insured with us, however, we seek out customers who want to actively contribute to minimising risk themselves and who don't just want to insure against a risk. This benefits everyone – the customer and us as a company – in the long run. So offering insurance policies alone isn't enough. We don't want to wait until a loss occurs but rather provide services that go beyond the policy itself and help customers to feel safe. These range from safety services to active assistance and prevention. New lines of business besides traditional insurance and chances for growth could therefore emerge for Baloise in future.

Nonetheless, the core insurance business is under pressure and the German market remains an issue. How are you going to tackle this?

ABu: The life insurance business is not easy as a result of the interest rate situation. It's now almost impossible to give guarantees, or they are not appealing enough for customers. New business from traditional life insurance can't help but suffer in these circumstances. But customers' need for safety remains the same. For a while now, we have therefore been offering innovative insurance solutions with lower or even no guarantees

Andreas Burckhardt

but which offer a basic level of security and enable us to respond better and more quickly to market conditions and to invest accordingly. This can result in very attractive surpluses for policyholders, especially in the group life business. Small and medium-sized enterprises particularly appreciate this. As far as Germany is concerned, we firmly believe in its opportunities and possibilities. Progress is slow – slower than we thought it would be – but we can do well in this market. This can be seen from the successes that we have notched up so far. Baloise is well positioned with its core markets of Switzerland, Germany, Belgium and Luxembourg, and this shouldn't change.

GDW: My experience in Belgium has taught me that you can't hurry success. I can sometimes be impatient. But if a company and, specifically, its employees, believe in its business model, then success will come. Baloise has a track record of operational excellence. We have to play to this strength and pair it with tenacity. When we launched our target customer management approach some 15 years ago, we were often asked what we were doing differently. All companies claim to focus on the customer. What makes Baloise any different? The answer is simple: the difference is that we are resolutely pursuing one objective, an objective to which every single employee is fully committed. Ultimately, this is what has made us one of the most profitable insurers in Europe.

Are you now promising the shareholders a strategy of growth?

ABu: Growth for growth's sake is not the direction that Baloise is taking. We have been fostering profitable organic growth for some time, supported by our target customer management. If opportunities arise, we will continue to grow through acquisitions, as has been the case in Belgium and Luxembourg in the last few years. We examine acquisition opportunities on the basis of strict criteria. They have to create added value. Our success shows that we and our shareholders have been right in recent years. A case in point is our attractive and sustainable dividend policy. This shouldn't change going forward, regardless of any challenges that we may encounter.

The interviewer was Dominik Marbet, Head of Group External Communications.

Gert De Winter

Gert De Winter (1966, BE, MSc) studied applied economics at the University of Antwerp. From 1988 to 2004 he performed various roles at Accenture in Brussels, working as an analyst, consultant, manager and finally partner for issues relating to IT and business transformation management in the financial sector. In 2005 he joined the Baloise Group as Chief Information Officer (CIO) of the Mercator insurance company in Belgium. Since 2009 Gert De Winter has been Chief Executive Officer of Baloise Insurance, which was formed in 2011 from the merger of the three insurance companies Mercator, Nateus and Avéro. As of 1 January 2016 Gert De Winter took up his role as Chief Executive Officer of the Baloise Group.

Targets achieved in difficult conditions

In 2015, Baloise generated a very healthy profit in its life business and achieved further profitability improvements in its non-life business despite a backdrop of difficult conditions. These solid foundations mean Baloise is ideally placed to deal with current challenges.

OVERVIEW

In 2015 Baloise achieved a healthy profit of CHF 512.1 million in an uncertain market environment. This figure was 27.9 per cent down on 2014. However, the previous year had been boosted by a number of non-recurring effects such as the disposal of Baloise's shareholdings in Nationale Suisse and Helvetia and the sale of Basler Austria, which accounted for additional revenue of around CHF 160 million. In addition to the prolonged phase of low and negative interest rates, the results for 2015 were also subject to currency effects and to higher hedging costs, which were mainly the result of the Swiss National Bank (SNB) releasing the Swiss franc from its peg against the euro. At the average exchange rate in 2014, Baloise's profit would have been around CHF 30 million higher.

The total volume of business generated by continuing operations amounted to CHF 8.9 billion, which was equivalent to an increase of 3.3 per cent in local-currency terms, but represented a year-on year decline of 2.8 per cent when reported in Swiss francs. The non-life division generated a volume of premium income reported under IFRS from continuing operations of CHF 3,050.00 million, an increase of 0.8 per cent in local-currency terms. The life-insurance business in continuing operations grew by 2.1 per cent in local-currency terms but contracted by 0.4 per cent in Swiss-franc terms. Baloise's life business achieved an EBIT of CHF 277.3 million. The adverse interest-rate situation particularly affected the capital-intensive, traditional life business where earnings were down as the result of lower investment returns.

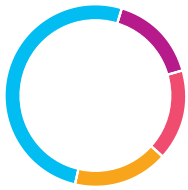
Investments generated net income of CHF 1,841.3 million, which was below the prior-year level of CHF 2,411.4 million, although net income in 2014 had been boosted by non-recurring effects. The net income generated in this very challenging environment equated to a healthy net return on insurance assets of 3.1 per cent (2014: 4.2 per cent), which is in line with the long-term trend. A reinvestment return of 1.9 per cent enabled Baloise to generate sufficient income to meet the guarantees provided on new business. By increasing the duration of investments, it was possible to reduce the interest-rate sensitivity of Baloise's life business.

1 The key figures on premiums and business volumes mentioned in the review of operating performance in this annual report have been calculated in local currency on a like-for-like basis and exclude discontinued operations (Austria, Croatia and Serbia).

BUSINESS VOLUME IN 2015[1] (GROSS) BY STRATEGIC BUSINESS UNIT

As a percentage

Switzerland	51.2
Germany	15.9
Belgium	16.2
Luxembourg	16.7



There was encouraging growth in the EBIT generated by the banking business, which rose by 9.6 per cent to CHF 80.8 million.

Baloise's balance sheet remained strong, although consolidated equity fell by 6.3 per cent to CHF 5,462.3 million. This was mainly a result of currency effects and the marking to market of available-for-sale financial assets. The repurchase of more than half a million shares as part of the share buy-back programme also had a negative impact on equity.

Capital strength in accordance with the Swiss solvency test remains in the green zone.

BUSINESS VOLUME[1]

CHF million	2014	2015	+/−%
Total business volume	9,176.7	8,918.6	3.3
Life	3,798.1	3,783.4	2.1
Non-life	3,260.5	3,050.0	0.8
Investment-type premiums	2,118.2	2,085.1	9.2

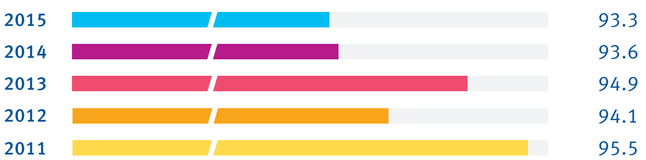
NON-LIFE DIVISION: FURTHER PROFITABILITY IMPROVEMENTS

There was a small increase of 0.8 per cent in the premium income for non-life business in continuing operations. Belgium and Luxembourg generated the most encouraging growth rates of 5.1 per cent and 6.8 per cent respectively, while premium income was down in Germany and Switzerland. In Switzerland, this was mainly because of the restrictive underwriting policy. The total volume of premium income declined by 6.5 per cent to CHF 3,050.0 million due to currency effects. The quality of the portfolio remained high. Partly because a much lower amount was paid out for large claims, there was a year-on-year fall in the insurance benefits paid, resulting in a lower gross claims ratio. The division's high level of profitability was reflected in a 1.2 percentage point fall in its gross combined ratio, which declined to 92.5 per cent. In net terms, the combined ratio was 0.3 percentage points lower at 93.3 per cent.

Baloise reported a 6.4 per cent fall in EBIT generated by its non-life business, which amounted to CHF 395.5 million. This was partly due to a year-on-year fall in net gains on investments.

NET COMBINED RATIO

As a percentage



LIFE DIVISION: MODEST GROWTH

The life division reported growth of 2.1 per cent in continuing operations in local-currency terms, compared with a contraction of 0.4 per cent in Swiss-franc terms. Total premium income, including investment-type premiums, amounted to CHF 5,868.5 million. In traditional life business, Switzerland and Belgium reported growth in local-currency terms of 3.4 per cent and 4.5 per cent respectively, while business was down by 4.6 per cent in Germany and by 3.7 per cent in Luxembourg. Group life business performed particularly well in Switzerland where it grew by 5.0 per cent, but individual life insurance declined by 4.8 per cent. Overall, the mix was further optimised towards innovative life products in all countries, because of the particularly adverse effect of the prolonged phase of low/negative interest rates on earnings in traditional life business. Financial income was down in this business, showing the extent to which the unfavourable interest-rate situation has affected this capital-intensive segment. Together with the modest increase in premium income, this resulted in a decline in EBIT in the life division to CHF 277.3 million. In the previous year, EBIT in the life division had also benefited from exceptionally high net savings which had been boosted by the proceeds received from the realisation of gains on investments, particularly the sale of Baloise's shareholdings in Nationale Suisse and Helvetia.

The positive operating income resulted in an increase in the embedded value of the life insurance business from CHF 3,610.2 million to CHF 3,876.2 million in 2015, which is equivalent to a return on embedded value of 8.3 per cent. The new business margin fell to 9.8 per cent (2014: 15.0 per cent) due to lower interest rates in Switzerland. The value of new business amounted to CHF 36.1 million.

BANKING DIVISION: ENCOURAGING EARNINGS GROWTH

The banking business generated strong earnings and succeeded in maintaining its net interest income at around the same level as in 2014. Overall, its EBIT of CHF 80.8 million represented an increase of 9.6 per cent on the previous year. The main contributors were the two Baloise Asset Management units (CHF 46.9 million) and Baloise Bank SoBa (CHF 25.0 million).

EQUITY: BALOISE REMAINS WELL CAPITALISED

Baloise's solid foundations continued to be underpinned by its strong balance sheet and capitalisation. The 6.3 per cent decline in its consolidated equity, which fell to CHF 5,462.3 million, was mainly attributable to currency effects and the marking to market of available-for-sale financial assets. Dividend payments of CHF 235.1 million and the fact that more than 500,000 shares had already been repurchased at a cost of almost CHF 60 million as part of the share buy-back programme announced in 2015, also had a correspondingly negative effect on equity. Capital strength in accordance with the Swiss solvency test remains in the green zone. Our reliable and attractive dividend policy is not linked to potential capital reserves, but is based on our operational profitability, which remains strong. The excellent progress that has already been made in the implementation of our ongoing share buy-back programme provides further evidence of the capital strength of Baloise.

SIGNIFICANT GAINS ON INVESTMENTS

The defining events in 2015 were the abandonment of the euro exchange-rate floor by the Swiss National Bank (SNB) and the introduction of negative interest rates. Quantitative easing carried out by the European Central Bank (ECB) in the eurozone also pushed interest rates to ultra-low levels. The US Federal Reserve's deferral of a change in interest-rate policy in September and concerns about the Chinese economy unsettled investors and resulted in a stock-market correction. In early December, the fact that the expansion in the ECB's programme of quantitative easing fell short of investors' expectations heightened volatility prior to the markets rallying sharply following the interest-rate hike in the US. The further fall in interest rates in the Swiss market remains one of the medium-term challenges facing those investing and reinvesting insurance assets.

The net income generated by Baloise came to CHF 1,841.3 million, which was below the CHF 2,411.4 million reported for 2014 when it had been boosted by non-recurring effects. Firstly, this was because recurring income amounted to CHF 1,521.8 million, which was significantly lower than the prior-year figure

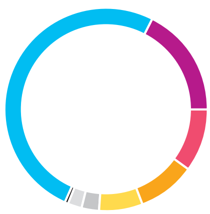
PROPRIETARY INVESTMENTS BY CATEGORY[1]

CHF million	2014	2015	+/–%
Investment property	5,962.9	6,251.9	4.8
Equities	4,028.5	4,357.5	8.2
Alternative financial assets	1,341.2	1,259.6	–6.1
Fixed-income securities	32,701.1	31,620.6	–3.3
Mortgage assets	11,138.0	10,869.5	–2.4
Policy loans and other loans	7,027.9	5,787.0	–17.7
Derivatives	341.0	363.2	6.5
Cash and cash equivalents	1,954.5	1,765.8	–9.7
Total	64,495.0	62,275.3	–3.4

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

INVESTMENT COMPONENTS IN 2015

As a percentage	
Fixed-income securities	50.8
Mortgage assets	17.5
Investment property	10.0
Policy loans and other loans	9.3
Equities	7.0
Cash and cash equivalents	2.8
Alternative financial assets	2.0
Derivatives	0.6



ASSETS HELD BY BALOISE

as at 31 December 2014	Non-life	Life	Banking	Total for the Group
CHF million				
Proprietary investments	9,873.9	47,380.3	7,649.1	64,495.0
Investment-linked life insurance[1]		10,904.2		11,182.6
Total recognised assets	9,873.9	58,284.4	7,649.1	75,677.6
Asset management for third parties				5,055.3
Total assets under management				**80,733.0**

as at 31 December 2015	Non-life	Life	Banking	Total for the Group
CHF million				
Proprietary investments	9,160.2	45,406.3	7,902.1	62,275.3
Investment-linked life insurance[1]		10,873.2		11,186.3
Total recognised assets	9,160.2	56,279.5	7,902.1	73,461.6
Asset management for third parties				4,985.9
Total assets under management				**78,447.5**

1 Including CHF 40.2 million (2014: CHF 53.3 million) in other assets (precious metal holdings from investment-linked life insurance policies).

of CHF 1,701.9 million. In addition to the persistently tough investment situation in the low interest-rate environment, the depreciation of the euro following the SNB's abandonment of the minimum exchange rate also took its toll on net income because the income on foreign-currency investments generated by both Baloise's foreign entities and its Swiss entities were translated at lower exchange rates than in 2014. Secondly, the gains realised in 2015 were lower than in the previous year when exceptionally large gains were realised. The net income generated in this very challenging environment equated to a healthy net return on insurance assets of 3.1 per cent (2014: 4.2 per cent) and is therefore broadly in line with the long-term trend. The volume of unrealised gains was lower because of currency translation and a slight rise in eurozone interest rates and realised gains. Consequently, the rate of return on insurance assets according to IFRS – which includes unrealised net gains and losses on investments but excludes gains and losses on held-to-maturity debt instruments – was 1.8 per cent, which was below the prior-year figure of 6.9 per cent.

The duration of our fixed-income investments, particularly those held by the life companies, was increased significantly. No impairment losses were recognised on debt instruments. Baloise also further increased its equity exposure as measured under IFRS. In terms of alternative financial assets, we increased our position in senior secured loans. The impairment losses recognised on financial instruments with characteristics of equity totalled CHF 72.0 million (gross). Investment property continued to yield stable returns and slightly higher valuations. The values and income streams generated by mortgages remained consistent.

Consolidated income statement

FIVE-YEAR OVERVIEW

CHF million	2011	2012 (restated)	2013	2014	2015
Income					
Premiums earned and policy fees (gross)[1]	6,806.9	6,731.1	7,212.7	7,168.1	6,832.4
Reinsurance premiums ceded	–176.3	–176.5	–167.9	–163.6	–148.6
Premiums earned and policy fees (net)	6,630.6	6,554.6	7,044.8	7,004.5	6,683.7
Investment income	1,766.5	1,782.2	1,765.1	1,701.9	1,521.8
Realised gains and losses on investments[2]	–943.4	852.9	670.3	1,362.5	386.2
Income from services rendered	158.6	125.0	119.0	110.7	112.6
Share of profit (loss) of associates	10.2	16.5	40.5	8.1	36.8
Other operating income	140.1	92.0	107.9	185.2	136.6
Income	7,762.6	9,423.2	9,747.5	10,372.8	8,877.9
Expense					
Claims and benefits paid (gross)	–5,311.5	–5,449.4	–5,439.7	–5,666.4	–5,352.4
Change in technical reserves (gross)	–639.9	–867.7	–1,359.4	–1,469.5	–1,241.9
Reinsurance share of claims incurred	53.3	113.2	75.5	146.6	97.9
Acquisition costs	–576.8	–651.0	–500.5	–569.6	–453.3
Operating and administrative expenses for insurance business	–847.0	–900.0	–897.1	–866.5	–780.5
Investment management expenses	–61.3	–59.0	–70.6	–66.9	–60.4
Interest expenses on insurance liabilities	–51.6	–50.5	–47.3	–42.6	–34.1
Gains or losses on financial contracts	324.0	–577.8	–368.9	–462.6	–0.9
Other operating expenses	–507.9	–363.2	–481.3	–446.8	–333.1
Expense	–7,618.7	–8,805.4	–9,089.3	–9,444.3	–8,158.6
Profit before borrowing costs and taxes	143.9	617.9	658.2	928.6	719.2
Borrowing costs	–55.0	–61.0	–50.1	–43.5	–40.0
Profit before taxes	88.9	556.8	608.1	885.1	679.3
Income taxes	–27.6	–71.6	–152.7	–173.2	–168.2
Profit for the period	61.3	485.2	455.4	711.9	511.1
Attributable to					
Shareholders	60.8	479.5	452.6	710.7	512.1
Non-controlling interests	0.5	5.7	2.8	1.3	–1.0
Earnings / loss per share					
Basic (CHF)	1.30	10.24	9.65	15.15	10.96
Diluted (CHF)	1.29	9.96	9.38	14.63	10.65

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).

Consolidated balance sheet

FIVE-YEAR OVERVIEW

CHF million	2011	2012 (restated)	2013	2014	2015
Assets					
Property, plant and equipment	559.9	458.5	422.5	379.2	399.1
Intangible assets	1,300.2	1,078.5	1,080.3	909.2	814.6
Investments in associates	173.5	227.2	222.0	227.9	162.3
Investment property	5,138.0	5,441.0	5,685.9	5,962.9	6,251.9
Financial instruments with characteristics of equity	9,703.9	9,475.7	11,344.4	13,451.2	13,770.8
Financial instruments with characteristics of liabilities	28,917.5	32,513.3	32,327.1	34,461.6	33,248.4
Mortgages and loans	18,042.7	18,510.9	18,329.5	18,165.9	16,656.6
Derivative financial instruments	334.1	497.6	410.7	613.2	653.9
Other assets / receivables	2,586.4	2,618.6	2,857.7	2,153.5	3,945.1
Deferred tax assets	22.2	32.7	56.0	48.3	41.4
Cash and cash equivalents	2,287.8	2,923.7	2,960.8	2,969.6	2,839.8
Total assets	69,066.2	73,777.7	75,696.9	79,342.3	78,783.8

CHF million	2011	2012 (restated)	2013	2014	2015
Equity and liabilities					
Equity					
Equity before non-controlling interests	3,860.3	4,603.5	4,855.9	5,791.3	5,427.6
Non-controlling interests	33.3	37.8	50.5	39.7	34.7
Total equity	3,893.6	4,641.3	4,906.4	5,831.0	5,462.3
Liabilities					
Gross technical reserves	45,561.9	46,591.9	47,435.6	48,738.9	45,765.8
Liabilities arising from banking business and financial contracts	13,998.1	15,839.6	16,542.1	17,740.8	19,012.0
Derivative financial instruments	175.3	64.4	68.2	176.4	250.8
Other accounts payable	4,782.9	5,802.0	5,862.3	5,789.7	7,379.5
Deferred tax liabilities	654.4	838.5	882.3	1,065.5	913.3
Total liabilities	65,172.6	69,136.4	70,790.5	73,511.4	73,321.5
Total equity and liabilities	69,066.2	73,777.7	75,696.9	79,342.3	78,783.8

Business volume, premiums and combined ratio

BUSINESS VOLUME

2014	Group	Switzerland	Germany	Belgium	Luxembourg	Other units[2]
CHF million						
Non-life	3,358.8	1,335.1	842.9	961.2	115.6	98.2
Life	3,816.8	2,985.1	568.8	157.2	87.1	18.8
Sub-total of IFRS gross premiums written[1]	7,175.6	4,320.1	1,411.7	1,118.3	202.7	117.0
Investment-type premiums	2,130.2	189.9	221.0	426.5	1,280.7	12.0
Total business volume	9,305.8	4,510.0	1,632.7	1,544.9	1,483.4	129.0

2015	Group	Switzerland	Germany	Belgium	Luxembourg	Other units[2]
CHF million						
Non-life	3,050.0	1,315.5	734.5	888.3	108.6	–
Life	3,783.4	3,087.6	477.4	144.5	73.9	–
Sub-total of IFRS gross premiums written[1]	6,833.4	4,403.2	1,211.9	1,032.8	182.5	–
Investment-type premiums	2,085.1	162.4	202.2	412.2	1,308.4	–
Total business volume	8,918.6	4,565.5	1,414.1	1,445.0	1,490.9	–

1 Premiums written and policy fees (gross).
2 Other units: Austria (until 28th August 2014), Croatia and Serbia (until 11 March 2014).

GROSS COMBINED RATIO

2014	Group	Switzerland	Germany	Belgium	Luxembourg	Other units[1]
as a percentage of premiums earned						
Claims ratio[2]	63.0	59.1	65.4	68.3	56.8	60.2
Expense ratio	30.7	24.8	36.1	34.1	32.5	33.1
Combined ratio	93.7	83.9	101.5	102.4	89.3	93.3

2015	Group	Switzerland	Germany	Belgium	Luxembourg	Other units[1]
as a percentage of premiums earned						
Claims ratio[1]	62.4	57.7	72.0	62.6	55.5	–
Expense ratio	30.1	25.5	34.9	32.8	32.4	–
Combined ratio	92.5	83.2	106.9	95.4	87.9	–

1 Other units: Austria (until 28 August 2014), Croatia and Serbia (until 11 March 2014).
2 Including the profit-sharing ratio.

GROSS AND NET COMBINED RATIO

	Gross		Net	
	2014	2015	2014	2015
as a percentage of premiums earned				
Claims ratio[1]	63.0	62.4	61.7	62.1
Expense ratio	30.7	30.1	31.9	31.2
Combined ratio	93.7	92.5	93.6	93.3

1 Including the profit-sharing ratio.

FUNDING RATIO (NON-LIFE)

	2014	2015
CHF million		
Technical reserve for own account[1]	5,879.4	5,614.9
Premiums written and policy fees for own account	3,213.8	2,918.9
Funding ratio (per cent)	182.9	192.4

1 Not including capitalised settlement premiums.

Income statement of Bâloise Holding

	2014	2015
CHF million		
Income from long-term equity investments	481.2	328.1
Income from interest and securities	15.1	16.6
Other income	8.1	210.4
Total income	**504.4**	**555.1**
Administrative expenses	– 52.4	– 35.1
Depreciation, amortisation and impairment	–	– 45.5
Interest expenses	– 38.0	– 34.8
Other expenses	– 8.0	– 3.8
Total expenses	**– 98.4**	**– 119.2**
Tax expense	**– 0.2**	**– 1.0**
Profit for the period	**405.8**	**434.9**

Balance sheet of Bâloise Holding

CHF million	31.12.2014	31.12.2015
Assets		
Cash and cash equivalents	58.8	58.6
Receivables from Group companies	70.6	2.0
Receivables from third parties	4.0	4.1
Prepaid expenses and accrued income	217.0	167.6
Current assets	350.4	232.3
Financial assets		
Loans to Group companies	102.0	102.0
Other financial assets	100.0	194.8
Long-term equity investments	1,730.4	1,874.9
Non-current assets	1,932.4	2,171.7
Total assets	2,282.8	2,404.0
Equity and liabilities		
Current liabilities		
Liabilities to Group companies	0.7	0.1
Liabilities to third parties	0.0	0.1
Deferred income	38.5	28.2
Non-current liabilities		
Bonds	1,717.5	1,717.5
Provisions	9.6	9.7
Liabilities	1,766.3	1,755.6
Share capital	5.0	5.0
Statutory retained earnings		
General reserve	11.7	11.7
Reserve for treasury shares [1]	4.9	3.5
Voluntary retained earnings		
Other reserves [1]	230.3	387.6
Distributable profit	406.5	435.4
Treasury shares [1]	–141.9	–194.8
Equity	516.5	648.4
Total equity and liabilities	2,282.8	2,404.0

1 The comparative prior-year figure has been restated in accordance with the new classification.

Financial calendar

22.03.2016	Annual financial results: media conference conference call for analysts
29.04.2016	Annual General Meeting of Bâloise Holding Ltd
30.08.2016	Half-year financial results: conference call for analysts and the media
23.03.2017	Annual financial results: media conference conference call for analysts
28.04.2017	Annual General Meeting of Bâloise Holding Ltd

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Making you safer.