Annual Report
2023

baloise

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About the reporting

Overview of Baloise's external reporting

The annual reporting procedures of the Baloise Group are based on relevant statutory and regulatory requirements and applicable standards and guidelines, particularly those issued by the International Accounting Standards Board and SIX Swiss Exchange, where the shares of Baloise Holding Ltd are listed. Published financial information for the comparative period may differ from the originally published figures due to the application of the new accounting standards IFRS 9 and IFRS 17.

The reporting for 2023 is based on the following documents:

Annual Report

The Annual Report forms the core of the reporting activities. It comprises the management review of the operating performance, the corporate governance report, the remuneration report, the report on non-financial matters and the financial report. The financial report includes the consolidated annual financial statements of the Baloise Group and the income statement of Baloise Holding Ltd.

Annual Review

The review of the financial year provides a holistic view of the added value generated by Baloise under its value creation approach. The approach is based on the integrated reporting framework (<IR> Framework) of the International Integrated Reporting Council (IIRC). As well as important financial key figures, it also contains comprehensive information on non-financial disclosure. The report outlines the value creation of Baloise across the six resources of the value creation approach (investors, employees, customers, partners, environment and society) and the four framework processes (IT, compliance, corporate governance and risk management).

Presentation for financial analysts

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

Continuous reporting

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

Reporting by national organisations

In some cases, Baloise's national organisations publish their own external reports in accordance with the statutory and regulatory requirements of the jurisdiction in which they operate. In Belgium and Germany, reports are also prepared on transparency on non-financial matters in accordance with EU requirements (Non-Financial Reporting Directive, NFRD).

All documents are available in electronic form on the following websites:

- Baloise Group
  www.baloise.com/annual-report
- Baloise in Belgium
  www.baloise.be/fr/a-propos-de-nous
- Baloise in Germany
  www.baloise.de/de/ueber-uns
- Baloise Switzerland
  www.baloise.com/financial-condition-report
  www.baloise.com/bank

Key figures

	2023	2022	Change (%)
CHF million			
Business volume			
Gross premiums written Non-life	4,081.6	3,958.7	3.1
Gross premiums written Life	3,648.0	3,848.1	– 5.2
Investment-type premiums	888.5	890.7	– 0.2
Total business volume	**8,618.1**	**8,697.5**	**– 0.9**
Insurance revenue			
Insurance revenue Non-life	4,013.0	3,936.5	1.9
Insurance revenue Life	1,399.4	1,403.1	– 0.3
Total insurance revenue	**5,412.4**	**5,339.6**	**1.4**
Operating profit (loss)			
Consolidated profit/loss for the period before borrowing costs and taxes			
Non-life	134.0	99.4	34.8
Life	178.5	259.8	– 31.3
Asset Management & Banking	82.3	64.4	27.8
Other activities	– 50.4	– 57.2	– 11.9
Consolidated profit for the period	236.2	244.5	– 3.4
Profit (attributable to the shareholders)	239.6	247.8	– 3.3
Balance sheet			
Insurance contract liabilities	49,819.5	49,753.3	0.1
Contractual service margin (CSM)	4,864.8	5,391.8	– 9.8
Equity	3,259.3	3,417.4	– 4.6
Ratios (per cent)			
Return on equity (RoE)	7.4	6.7	–
Combined ratio Non-life	92.0	92.9	–
New business margin (NBM) Life	6.5	6.7	–
New life insurance business			
Value of new business (VNB)	177.4	200.9	– 11.7
Present value new business premium (PVNBP)	2,748.6	3,015.0	– 8.8
New business CSM	167.0	200.8	– 16.8
Key figures on the Company's shares			
Shares issued (units)	45,800,000	45,800,000	0.0
Average number of shares outstanding	45,298,246	45,176,614	0.3
Basic earnings per share [1] (CHF)	5.29	5.49	– 3.6
Diluted earnings per share [1] (CHF)	5.29	5.48	– 3.5
Comprehensive equity per share [2] (CHF)	156.57	169.24	– 7.5
Closing price (CHF)	131.80	142.70	– 7.6
Market capitalisation (CHF million)	6,036.4	6,535.7	– 7.6
Dividend per share [3] (CHF)	7.70	7.40	4.1

1 Calculation based on the profit for the period attributable to shareholders.
2 Calculation based on shareholders' equity (equity before non-controlling interests) and the contractual service margin (CSM) after taxes.
3 2023 based on the proposal submitted to the Annual General Meeting.

Letter to shareholders

Dear shareholders,

Last year, our core business was influenced by an exceptionally high volume of natural disaster claims and large claims and by the transition to the IFRS 17 and IFRS 9 accounting standards. At around CHF 240 million, profit attributable to shareholders was down by 3.3 per cent year on year. The Baloise Group's business volume came to CHF 8,618 million, which was on a par with 2022. We generated growth in our target segments, including an encouraging 5.4 per cent rise in premiums in the non-life business. By contrast, premiums fell by 4.3 per cent in the life business owing to the ongoing shift towards partially autonomous solutions. Profit for the period was affected by additional net claims incurred of just over CHF 200 million compared with the volume normally incurred in an average year. Nonetheless, the net combined ratio in the non-life business improved to 92 per cent. Given the challenging claims environment, this improvement reflects the continued high quality of our business. Market conditions for our life insurance business were complex. The strength of the Swiss franc was the driving factor in the currency markets, while the interest rate environment was shaped by central banks' interest rate hikes in the first half of 2023 followed by falling interest rates towards the end of the year.

Our capitalisation remains at a strong level despite the challenges of 2023. In the Swiss Solvency Test (SST), we expect a ratio of around 210 per cent as at 1 January 2024. Comprehensive equity amounted to CHF 7,169.5 million (31 December 2022: CHF 7,751.0 million). It comprises the sum of the contractual service margin after taxes and the equity attributable to shareholders. In addition, Baloise's strong capital adequacy was once again confirmed by Standard & Poor's in August 2023, when it reaffirmed its rating of A+ for the Baloise Group.

Greater focus on core business; no further new investment in the ecosystem strategy

The long-term impact of the pandemic, the complex geopolitical situation, the changes affecting the capital markets and national economies (inflation and the related rise in interest rates) and the new developments in the insurance industry – cyber risk and other major risks – are resulting in a shift in our underlying position. The external parameters have changed markedly since we launched Simply Safe: Season 2, making it necessary to reassess our strategic path in order to ensure our strategy has the right focus. Following a review, we have decided to concentrate on the business activities that form part of our core business and to not carry out any further new investment in our ecosystem strategy, which means no new long-term equity investments in the Home and Mobility ecosystems. The next step is to draw up a strategy that takes account of the new overall situation. We will present the focus of the upcoming strategic phase at the Investor Day on 12 September. All in all, we believe that the operational excellence of our core business creates potential for sustained profitability and growth.

In our current strategic phase, we are confident of achieving our cash remittance target of CHF 2 billion by the end of 2025 (31 December 2023: CHF 964 million). We regard our employee target as very ambitious, but we made clear progress last year (2023: top 29 per cent). Our employees are and will remain key in harnessing our potential for profitability and growth. The strategic target of attracting 1.5 million new customers by 2025 is now unlikely to be achievable, especially as we will not be entering into any further new long-term equity investments under the ecosystem strategy.

Increased dividend thanks to high level of cash remittance

The operating business was affected by higher than average costs for claims in 2023. However, part of our core business is being able to cope with an exceptionally high level of claims incurred from time to time, and our business is built on solid foundations. We maintain a good level of capitalisation and have further improved our cash remittance, which is not impacted by the new accounting standards. At the Annual General Meeting, the Board of Directors of Baloise Holding Ltd will therefore propose that the dividend be increased by CHF 0.30 to CHF 7.70, representing a continuation of our dividend policy.

The insurance business is underpinned by a profitability and growth strategy with a long-term focus that ensures sustained business performance. Thanks to this business model, insurance companies are among the oldest of all companies. Not only do we create value for shareholders, but we are also a stabilising force for national economies. Given the promises – including some long-term commitments – that we have made to our customers, we have to take a long-term view when it comes to managing the profitability and growth of our business. By taking on risks, we support the growth not only of our retail and SME customers but also of large companies that we have been supporting for decades. After all, our insurance services based on the principle of risk-sharing help to make communities more resilient and contribute to a more equitable society. We have been successfully doing this for more than 160 years, even though we have often had to realign our strategy or reinvent ourselves during this time. Baloise will continue to take account of economic, societal and political circumstances even in the face of the current overall situation.

Basel, March 2024

T. v. Planta

Dr Thomas von Planta
Chairman of the
Board of Directors

M. Müller

Michael Müller
Group CEO

'We believe that the operational excellence of our core business creates potential for sustained profitability and growth.'

Dr Thomas von Planta, Chairman of the Board of Directors (left), and **Michael Müller**, Group CEO (right)

Review of operating performance

Baloise strengthens its core business – higher cash remittance and growing dividend

The name Baloise has stood for customer relationships based on trust for more than 160 years. In 2023, we protected more than 10,000 customers from serious financial losses resulting from natural disasters in Switzerland. This weighed heavily on our business performance and lead to a spike in large claims. Our job as an insurance company is to be able to cope with even an exceptionally high volume of claims. That is our purpose and it is why we create strong foundations on which to operate our business. It is therefore important that these foundations remain solid over the long term. This is why we are channelling our efforts into strengthening our core business and improving our financial results. Going forward, we will concentrate even more on our core purpose of generating added value for investors, customers, partners and employees. To do so, we will refresh our strategy – especially where innovation is concerned. Following a review of our ecosystem strategy, we have decided not to invest any further in expanding this approach. We are narrowing our focus on the core business and keeping operational excellence at the forefront of what we do.

Annual financial results in brief

- **Profit attributable to shareholders** for 2023 amounted to CHF 239.6 million (2022: CHF 247.8 million). Year-on-year increases in contributions from Belgium and Germany largely offset a dip in profit in Switzerland. A high volume of natural disasters and major loss events had an extremely adverse impact of just over CHF 200 million on profit before taxes.

- In local currency terms, the **business volume** edged up by 0.8 per cent. In Swiss francs, the volume of business was down by 0.9 per cent at CHF 8,618.1 million owing to a lower volume of premiums in the traditional life insurance business and unfavourable currency effects (2022: CHF 8,697.5 million).

- In the **non-life business**, the volume of premiums rose by a very healthy 5.4 per cent in local currency terms to CHF 4,081.6 million (2022: CHF 3,958.7 million). In Swiss francs, the increase was just over 3.1 per cent.

- The **combined ratio** of the Group was 92.0 per cent (2022: 92.9 per cent).

- **Profit before borrowing costs and taxes (EBIT) in the non-life business** amounted to CHF 134.0 million (2022: CHF 99.4 million) as a result of the exceptionally high impact of claims.

- The level of **gross premiums in the life business** reflected the continuing trend towards partially autonomous occupational pension solutions. As a result, the volume of premiums in the traditional life insurance business fell by 5.2 per cent year on year to CHF 3,648.0 million (2022: CHF 3,848.1 million). Individual life insurance in Switzerland generated good growth of 1.5 per cent.

- The **new business margin** in the life business stood at 6.5 per cent in 2023 (2022: 6.7 per cent). The interest margin improved to 137 basis points (2022: 117 basis points) thanks to a rise in current income.

- **EBIT attributable to the life business** came to CHF 178.5 million, which was down on the strong prior-year figure (2022: CHF 259.8 million). The decline in EBIT was due to reductions in the contractual service margin (CSM) and a rise in costs.
- The recent **optimisation of a Belgian life insurance portfolio**, which is now in run-off, is expected to release an amount of cash in the mid-double-digit millions in 2024.
- The **asset management** business registered growth in third-party assets of 19.0 per cent or CHF 2.4 billion, of which CHF 1.2 billion was attributable to net new assets.
- EBIT for **Asset Management & Banking** rose to CHF 82.3 million (2022: CHF 64.4 million). This is attributable to a bigger contribution from the banking segment, where the increase in interest rates had a positive impact on business.
- Baloise maintained a very good level of **capitalisation**. Despite the repayment of a subordinated bond, lower interest rates resulting from negative macroeconomic effects and a stronger Swiss franc, we expect the SST ratio as at 1 January 2024 to be around 210 per cent (1 January 2023: 240 per cent). **Comprehensive equity** stood at CHF 7,170.9 million as at 31 December 2023 (30 June 2023: CHF 7,373.5 million). **Standard & Poor's** confirmed its **A+ rating** for the Baloise Group in August 2023.
- In 2023, **cash remittance** increased by 4.7 per cent to CHF 493 million (2022: CHF 471 million). The Board of Directors intends to propose to the Annual General Meeting that the **dividend be increased** by CHF 0.30 to CHF 7.70 per share.
- Baloise has reviewed its **ecosystem strategy** in respect of the Home and Mobility ecosystems and decided not to invest any further in expanding them. In future, we will concentrate more on insurance-related activities and on generating profits from our current portfolio of innovations.

Profit and business volume

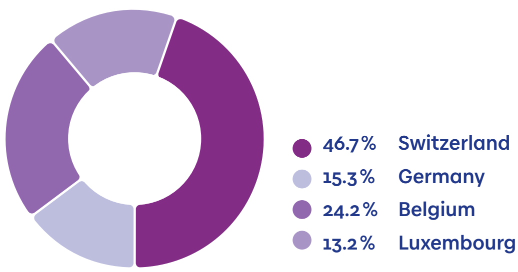
Claims incurred place an exceptionally heavy burden on profit; business volume remains stable with growth in target segments
Profit attributable to shareholders for 2023 amounted to CHF 239.6 million, a year-on-year fall of 3.3 per cent (2022: CHF 247.8 million). Profit was impaired by increased costs and currency effects in 2023. Additionally, profit in the non-life business was adversely affected by substantially higher claims incurred as a result of natural disasters and major loss events. These influences are also reflected in the Group's **profit before borrowing costs and taxes (EBIT)**, which declined by 6.0 per cent compared with the prior year to CHF 344.4 million (2022: CHF 366.4 million). The biggest contribution to EBIT came from business in Switzerland at CHF 166.2 million. This figure was much lower than in the prior year due to the high level of claims incurred. The companies in Germany and Belgium, in particular, made a positive contribution to the Group's EBIT, however, generating much higher EBIT year on year of CHF 93.6 million and CHF 111.7 million respectively. This is testimony to the Group's **diversification and optimisation efforts** over the past few years. Thanks to these efforts, a Belgian run-off life insurance portfolio with reserves of around EUR 900 million was recently secured by means of a reinsurance solution. We expect this optimisation to result in the release of an amount of cash in the mid-double-digit millions in 2024.

The **Group's business volume** was slightly lower than in the prior year at CHF 8,618.1 million (2022: CHF 8,697.5 million). The decrease of 0.9 per cent was attributable to the life business, specifically the ongoing shift in occupational pensions towards partially autonomous solutions. In local currency terms, the rate of growth was modest at 0.8 per cent. Non-life business partly made up for this decline with solid growth of 3.1 per cent in Swiss francs or 5.4 per cent in local currency terms. The **volume of investment-type premiums** remained at the good level of the prior year.

Business volume

	2023	2022	+/– %
CHF million			
Total business volume	**8,618.1**	**8,697.5**	**– 0.9**
Gross premiums written Non-life	4,081.6	3,958.7	3.1
Gross premiums written Life	3,648.0	3,848.1	– 5.2
Investment-type premiums	888.5	890.7	– 0.2

Business volume in 2023 (gross)
by strategic business unit*



* 0.6% group business

Insurance business

Good growth in non-life business

Last year was exceptional in light of the very high volume of natural disaster claims and large claims incurred. Net of reinsurance, these claims were just over CHF 200 million higher than the average for previous years. Besides the high volume of natural disaster claims, which were primarily caused by storms in Switzerland, major individual loss events meant that Baloise incurred exceptionally high expenses for its customers.

Growth in the **volume of premiums** in this business was at the good level of 3.1 per cent in Swiss francs or 5.4 per cent in local currency terms. All business units contributed to this growth, which increased gross premiums written in the non-life business to CHF 4,081.6 million (2022: CHF 3,958.7 million). The increases in premiums that were introduced due to inflation also contributed to this healthy growth.

The Belgian unit registered the largest volume of non-life business with a total value of CHF 1,589.7 million. This amounted to growth of 3.3 per cent in Swiss francs or 6.8 per cent in local currency terms (2022: CHF 1,538.9 million).

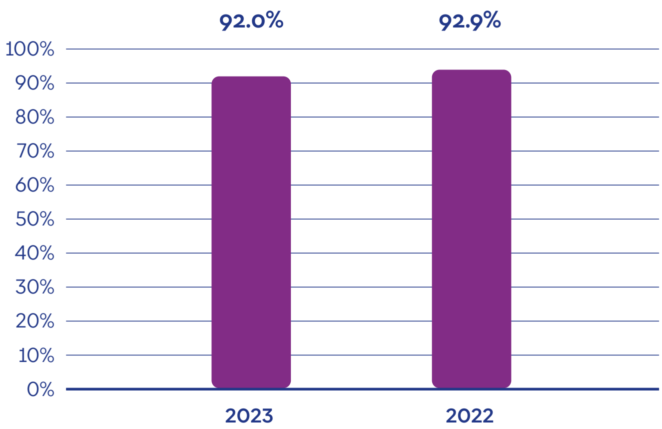
In Switzerland, Baloise expanded its non-life portfolio by 2.7 per cent to CHF 1,468.7 million (2022: CHF 1,430.8 million).

In Germany, premiums in non-life business grew by 2.9 per cent in Swiss francs or 6.4 per cent in local currency terms to CHF 816.5 million (2022: CHF 793.8 million).

Baloise generated the strongest growth in non-life business in Luxembourg, at 9.1 per cent in Swiss francs or 12.8 per cent in local currency terms. The total volume of premiums came to CHF 154.6 million for 2023 (2022: CHF 141.8 million).

Despite the considerable rise in large claims incurred, which took an exceptionally heavy toll on the **combined ratio** of just over 5 percentage points, this ratio improved by a modest 0.9 percentage points overall to 92.0 per cent. The reason for the improvement is that the prior year's ratio was adversely affected by the inflation-related strengthening of reserves by around CHF 120 million. Following a fall in inflation, CHF 79 million of this amount was reversed to income in 2023. The combined ratio also benefited from higher discounting effects than in 2022.

Development of combined ratio



Profit before interest and tax (EBIT) in the **non-life business** amounted to CHF 134.0 million (2022: CHF 99.4 million) as a result of these effects in 2023.

The **gains or losses on investments in the non-life segment** improved by approximately CHF 18 million year on year to a net gain of CHF 102.8 million. Current income climbed to CHF 196.8 million, a rise of CHF 41.5 million. This was partly offset by the effects of the much weaker euro and US dollar and the increased cost of currency hedging. The losses recognised in the income statement came to CHF 68.7 million, up by CHF 26.1 million on the prior year. This deterioration was mainly due to increases in the value of property in 2022 that were not repeated in 2023. The gains and losses recognised in other comprehensive income (OCI) amounted to a net gain of CHF 332.6 million and were heavily influenced by the uptrend in the mortgages and other loans asset class. Overall investment performance stood at 4.6 per cent, which was much higher than in the difficult prior year (2022: minus 9.5 per cent).

Growth in investment-type premiums and solid new business margin in the life business

The **business volume in the life business** (gross premiums written and investment-type premiums) fell by 4.3 per cent to CHF 4,536.5 million (2022: CHF 4,738.8 million) owing to the smaller volume of premiums written in the Swiss group life business and in the Belgian life business. In local currency terms, the decrease was 3.0 per cent.

As a result, **premiums in the life business** dropped by 5.2 per cent to CHF 3,648.0 million overall (2022: CHF 3,848.1 million), predominantly due to business in Switzerland and Belgium. Adjusted for currency effects, the decrease was 4.3 per cent. In the Swiss life business, we saw a reduction of 3.5 per cent to CHF 2,513.4 million that was attributable to a reduced volume of group life business (2022: CHF 2,603.3 million). In Germany, we registered slight growth in gross premiums of 1.1 per cent to CHF 499.8 million in local currency terms. In Belgium and Luxembourg, the volume of life business declined by 7.9 per cent to CHF 482.0 million and by 19.2 per cent to CHF 152.8 million respectively (in local currency terms). This was due to uncertainty surrounding Belgian tax legislation and geopolitical and macroeconomic impacts

Key figures for the national companies

Key figures for Switzerland

	2023	2022	+/– %
CHF million			
Business volume	4,025.7	4,068.8	– 1.1
of which: Non-life	1,468.7	1,430.8	2.7
of which: Life[1]	2,557.0	2,638.0	– 3.1
Combined ratio (per cent)	98.4	95.1	3.3
Profit before borrowing costs and taxes	166.2	289.6	– 42.6

Key figures for Belgium

	2023	2022	+/– %
CHF million			
Business volume	2,085.7	2,100.9	– 0.7
of which: Non-life	1,589.7	1,538.9	3.3
of which: Life[1]	496.0	562.0	– 11.7
Combined ratio (per cent)	85.8	95.6	– 9.8
Profit before borrowing costs and taxes	111.7	– 7.2	n.a.

Key figures for Germany

	2023	2022	+/– %
CHF million			
Business volume	1,316.3	1,304.8	0.9
of which: Non-life	816.5	793.8	2.9
of which: Life[1]	499.8	511.0	– 2.2
Combined ratio (per cent)	88.7	94.8	– 6.1
Profit before borrowing costs and taxes	93.6	73.7	27.0

1 Including investment-type premiums.

Key figures for Luxembourg

	2023	2022	+/– %
CHF million			
Business volume	1,138.3	1,169.6	– 2.7
of which: Non-life	154.6	141.8	9.1
of which: Life[1]	983.6	1,027.8	– 4.3
Combined ratio (per cent)	89.0	74.2	14.8
Profit before borrowing costs and taxes	18.2	14.4	26.4

Assets held by Baloise

as at 31 December 2023	Non-life	Life	Asset Management & Banking	Total for the Group[1]
CHF million				
Investments for own account and at own risk	9,391.2	41,380.7	8,654.5	58,742.3
Asset portfolio for the account and at the risk of customers and third parties	–	15,667.4	–	16,252.8
Total recognised assets	**9,391.2**	**57,048.0**	**8,654.5**	**74,995.1**
Third-party assets				14,993.0

as at 31 December 2022	Non-life	Life	Asset Management & Banking	Total for the Group[1]
CHF million				
Investments for own account and at own risk	9,429.4	42,441.3	8,441.3	59,452.9
Asset portfolio for the account and at the risk of customers and third parties	–	14,864.8	–	15,429.4
Total recognised assets	**9,429.4**	**57,306.1**	**8,441.3**	**74,882.2**
Third-party assets				12,627.2

1 Including Group business and elimination.

that led to more risk-averse investment behaviour on the part of customers.

Investment-type premiums amounting to CHF 888.5 million were written in 2023. This equated to an increase of 2.6 per cent in local currency terms but a modest decrease of 0.2 per cent in Swiss francs. Our business unit in Luxembourg made the biggest contribution to investment-type premiums at CHF 830.8 million.

The **Perspectiva collective foundation** continued on its encouraging growth trajectory in 2023. It benefited from ongoing strong demand for partially autonomous pension solutions and the recovery of the global financial markets. As at the end of 2023, the Perspectiva collective foundation was looking after 4,903 companies with around 21,500 policyholders and had assets of CHF 1.6 billion. These numbers equate to an increase of 476 companies, 1,900 policyholders and assets of around CHF 200 million.

EBIT in the life business fell year on year to stand at CHF 178.5 million (2022: CHF 259.8 million). This was due to a decrease in the contractual service margin (CSM) on the back of adverse spread movements, currency effects and lower valuations of properties. These factors, combined with interest rate effects, resulted in a CHF 50 million reduction in the amount released from the CSM. Higher costs also took their toll on EBIT in the life insurance business.

Gains or losses on investments in the life segment amounted to a net gain of CHF 2,318.9 million. Despite falling investment volumes, current income increased to CHF 938 million (2022: CHF 924.8 million) thanks to further growth of private assets and a rise in reinvestment returns. Interest rates in Switzerland and Germany were down year on year at the end of 2023 and the equity markets performed well, with both these factors having a positive impact on the fair values of fixed-income securities and equities. This provided a significant boost for profits, which amounted to CHF 1,484.6 million in 2023. Furthermore, a positive item of CHF 122.9 million was recognised in other comprehensive income (OCI). Overall investment performance stood at 5.8 per cent, which was much higher than in the prior year (2022: minus 12.9 per cent).

The **new business margin** in the life business was down slightly year on year but remained solid at 6.5 per cent in 2023 (2022: 6.7 per cent). The new business margin is derived from the contractual service margin (CSM) for new business and is calculated relative to the present value of new business premiums.

The **interest margin**, which constitutes the difference between current income on the assets side and guarantees on the equity and liabilities side, improved to 137 basis points (2022: 117 basis points). The increase was mainly attributable to investment decisions where it was possible to capitalise on the higher level of interest rates.

Asset Management & Banking

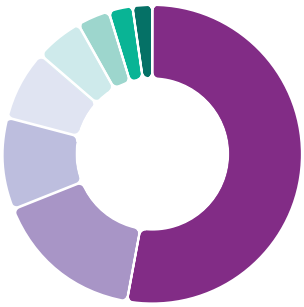
Healthy growth in business with third parties

As at 31 December 2023, the total assets under management (AuM) of Baloise Asset Management stood at CHF 57.9 billion, a rise of 3.7 per cent compared with the end of the prior year (31 December 2022: CHF 55.8 billion). This growth was primarily attributable to the favourable trend in business with third parties.

There was further **growth in business with third parties**. Assets under management swelled from CHF 12.6 billion to CHF 15.0 billion, with net new assets contributing CHF 1.2 billion. Net new assets related to a number of items, including the capital increase carried out for the Baloise Swiss Property Fund and the continued growth of the asset management business of Baloise Bank Ltd and of the partially autonomous collective foundation Perspectiva.

The expanded **responsible investment (RI) strategy** has been in place since 1 January 2023. Further exclusions have been added, a best-in-class approach has been adopted and direct company engagement has been introduced to supplement the active ownership approach. The expanded RI strategy applies to liquid investments, for some of the private assets included in insurance investments and for the majority of our funds, including fund selection. The updating of the RI strategy took account of the EU Regulation on sustainability-related disclosures in the financial services sector (SFDR), the Swiss Financial Market Supervisory Authority (FINMA) Guidance 05/2021 on preventing and combating greenwashing, and the Asset Management Association Switzerland (AMAS) requirements for self-regulation of transparency and disclosure for sustainability-related collective assets. The strategy allows us to offer a broader range of sustainability-related investment options to those of our customers with a preference for sustainability-oriented investment solutions.

Investment components in 2023



- 52.8 % Fixed-interest securities
- 16.2 % Investment property
- 10.1 % Policy and other loans
- 7.5 % Mortgage loans
- 5.2 % Alternative financial investments
- 3.5 % Shares and funds
- 2.7 % Other short-term investments
- 2.0 % Senior secured loans

Proprietary investments by category[1]

	31.12.2023	31.12.2022	+/– %
CHF million			
Fixed-interest securities	26,791.1	26,332.7	1.7
Senior secured loans	1,011.0	1,452.6	– 30.4
Policy and other loans	5,126.1	4,398.0	16.6
Mortgage loans	3,807.5	3,953.0	– 3.7
Investment property	8,236.7	8,483.0	– 2.9
Shares and funds	1,774.7	3,120.8	– 43.1
Alternative financial investments	2,641.0	2,693.9	– 2.0
Other short-term investments	1,383.7	1,436.6	– 3.7
Total	**50,771.8**	**51,870.7**	**– 2.1**

1 Excluding investments for the account and at the risk of customers and third parties.

Capitalisation and cash remittance

Higher volume of cash and a rise in the dividend to CHF 7.70

The equity attributable to shareholders stood at CHF 3,250.0 million as at the end of 2023 (31 December 2022: CHF 3,405.2 million). The **contractual service margin (CSM)** after taxes came to CHF 3,921.0 million as at 31 December 2023 (31 December 2022: CHF 4,3457 million). Comprehensive equity totalled CHF 7,170.9 million (31 December 2022: CHF 7,751.0 million) or CHF 157 per share. It comprises the sum of the contractual service margin after taxes and the proportion of equity attributable to shareholders.

Baloise's strong capital adequacy was once again confirmed by **Standard & Poor's** in August 2023, when it reaffirmed its **rating of A+** for the Baloise Group. S&P 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, solid risk management and robust competitive position in its profitable core markets. The complete report is available at **www.baloise.com/ratings**.

In the **Swiss Solvency Test (SST)**, we expect a ratio of around 210 per cent as at 1 January 2024. The reduction was due to repayment of a subordinated bond, lower interest rates resulting from negative macroeconomic effects and a stronger Swiss franc.

Although Baloise incurred exceptionally high costs for claims in 2023, it maintained a good level of capitalisation. Moreover, it achieved a further improvement in **cash remittance**, which was unaffected by the accounting effects and rose by 5 per cent to CHF 493 million (2022: CHF 471 million). This shows that we are on track to reach our target for **cash** remitted of CHF 2 billion by 2025. At the upcoming Annual General Meeting, the Board of Directors of Baloise Holding Ltd will therefore propose that the **dividend** be increased by CHF 0.30 to CHF 7.70.

Outlook

No more new investment in ecosystems – presenting the upcoming strategic phase

On 20 September 2023, Baloise announced that it was undertaking a strategic review of its ecosystems in light of the changes in the business environment. The outcome of this review is that we are ending our ecosystem strategy. This means that we will no longer be pursuing the targets that we had communicated in this context: a valuation of CHF 1 billion for the innovation initiatives and a total contribution to revenue of CHF 350 million. We will also not be carrying out any further new investment in the expansion of the ecosystems.

CEO Michael Müller commented on this decision as follows: "Following our analysis of the overall portfolio and in view of the macroeconomic situation, we came to the conclusion that we need to strengthen our focus on our core business. This is where we see the best potential for growth and income. Where possible and as appropriate, we are bringing our partnerships in the former ecosystems closer to our core business and improving their profitability."

Meanwhile, we are retaining our strategic targets. We are well on track to achieve our cash target of CHF 2 billion (cumulative figure as at 31 December 2023: CHF 964 million). The employee target of being among the top 5 per cent of employers in Europe is very ambitious (31 December 2023: top 29 per cent), but we made clear progress last year (31 December 2022: top 36 per cent). The strategic target of attracting 1.5 million new customers is no longer achievable now that we have discontinued our ecosystem strategy (31 December 2023: 227,000). However, sustained profitable growth in our core business remains key to our future success, which is why we will step up our efforts.

Consolidated income statement

CHF million	2023	2022
Insurance revenue	5,412.4	5,339.6
Insurance service expenses	–4,666.9	–4,678.4
Insurance service result from reinsurance contracts	–151.8	–57.5
Insurance service result	**593.7**	**603.7**
Insurance finance income and expenses from insurance contracts	–2,833.2	6,343.0
Insurance finance income and expenses from reinsurance contracts	26.8	27.8
Insurance finance income and expenses	**–2,806.4**	**6,370.8**
Interest revenue calculated using the effective interest method	296.8	166.0
Investment income	970.6	994.9
Realised gains and losses on investments	2,555.4	–8,888.5
Change in expected credit loss	2.2	–9.8
Result from financial contracts	–842.7	1,490.5
Result from investments and financial contracts	**2,982.2**	**–6,246.8**
Income from services rendered	141.7	118.3
Other operating income	161.6	120.0
Other operating expenses	–691.7	–633.8
Share of profit (loss) of associates and joint ventures	–20.7	4.9
Profit and loss from owner-occupied properties FVPL	–16.0	29.3
Profit / loss before borrowing costs and taxes	**344.4**	**366.4**
Borrowing costs	–26.2	–22.4
Profit / loss before taxes	**318.2**	**343.9**
Income taxes	–81.9	–99.5
Profit / loss for the period	**236.2**	**244.5**
Profit attributable to:		
Shareholders	239.6	247.8
Non-controlling interests	–3.3	–3.4
Earnings / loss per share:		
Basic (CHF)	5.29	5.49
Diluted (CHF)	5.29	5.48

Consolidated balance sheet

CHF million	31.12.2023	31.12.2022	01.01.2022
Assets			
Property, plant and equipment	636.1	594.6	560.0
Intangible assets	214.8	237.4	265.8
Investments in associates and joint ventures	318.1	344.7	316.0
Investment property	8,248.6	8,495.1	8,464.5
Financial instruments with characteristics of equity	14,932.9	16,276.7	19,172.6
Financial instruments with characteristics of debt	32,153.4	31,264.6	38,216.3
Mortgages and loans	15,602.3	14,665.8	16,193.2
Derivative financial instruments	1,072.6	809.3	896.1
Insurance contract assets	68.4	43.0	–
Reinsurance contract assets	450.5	614.6	767.8
Receivables from employee benefits	6.3	7.3	5.9
Financial receivables	727.2	600.6	621.8
Deferred tax assets	207.1	239.3	177.6
Other assets	249.1	430.8	206.3
Cash and cash equivalents	2,985.3	3,370.8	4,073.5
Total assets	**77,872.8**	**77,994.6**	**89,937.2**
Equity and liabilities			
Equity before non-controlling interests	3,250.0	3,405.2	4,170.6
Non-controlling interests	9.3	12.2	14.2
Total equity	**3,259.3**	**3,417.4**	**4,184.7**
Insurance contract liabilities	49,819.5	49,753.3	58,947.0
Reinsurance contract liabilities	2.5	67.5	–
Liabilities arising from financial contracts	19,936.3	19,839.7	21,878.8
Financial liabilities	2,391.3	2,609.4	2,425.7
Non-technical provisions	111.9	112.5	136.4
Derivative financial instruments	83.4	135.8	89.4
Deferred tax liabilities	419.4	380.6	468.1
Other liabilities	1,849.1	1,678.3	1,807.1
Total liabilities	**74,613.5**	**74,577.1**	**85,752.5**
Total equity and liabilities	**77,872.8**	**77,994.6**	**89,937.2**

Key figures insurance business

Business volume

The business volume of the Baloise Group comprises the gross premium income from non-life and life insurance recognised during the reporting period and the payments from policyholders in business involving financial contracts and investment-linked life insurance policies. Unlike insurance revenue, it includes savings premium components and thus is generally higher for life insurance.

2023	Group [1]	Switzerland	Germany	Belgium	Luxembourg [2]
CHF million					
Gross premiums written Non-life	4,081.6	1,468.7	816.5	1,589.7	154.6
Gross premiums written Life	3,648.0	2,513.4	499.8	482.0	152.8
Investment-type premiums	888.5	43.6	–	14.1	830.8
Total business volume	**8,618.1**	**4,025.7**	**1,316.3**	**2,085.7**	**1,138.3**

2022	Group [1]	Switzerland	Germany	Belgium	Luxembourg [2]
CHF million					
Gross premiums written Non-life	3,958.7	1,430.8	793.8	1,538.9	141.8
Gross premiums written Life	3,848.1	2,603.3	511.0	540.9	192.9
Investment-type premiums	890.7	34.7	–	21.1	834.9
Total business volume	**8,697.5**	**4,068.8**	**1,304.8**	**2,100.9**	**1,169.6**

Insurance revenue

Insurance revenue is the amount that reflects the consideration to which an insurance company expects to be entitled in exchange for the provision of services under insurance contracts.

2023	Group [1]	Switzerland	Germany	Belgium	Luxembourg [2]
CHF million					
Insurance revenue Non-life	4,013.0	1,446.5	808.5	1,561.8	152.9
Insurance revenue Life	1,399.4	993.9	257.6	128.4	19.7
Total insurance revenue	**5,412.4**	**2,440.4**	**1,066.0**	**1,690.3**	**172.6**

2022	Group [1]	Switzerland	Germany	Belgium	Luxembourg [2]
CHF million					
Insurance revenue Non-life	3,936.5	1,426.8	791.9	1,534.2	139.8
Insurance revenue Life	1,403.1	989.2	218.4	162.3	32.5
Total insurance revenue	**5,339.6**	**2,416.1**	**1,010.3**	**1,696.6**	**172.2**

1 Including Group business.
2 Including Baloise Life Liechtenstein.

Combined ratio

The combined ratio is used to gauge the profitability of non-life insurance business. 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.

2023	Group	Switzerland	Germany	Belgium	Luxembourg
as a percentage of the insurance revenue					
Loss ratio[1]	64.6	75.7	56.4	57.3	57.2
Expense ratio	27.4	22.7	32.3	28.5	31.8
Combined ratio	**92.0**	**98.4**	**88.7**	**85.8**	**89.0**

2022	Group	Switzerland	Germany	Belgium	Luxembourg
as a percentage of the insurance revenue					
Loss ratio[1]	65.1	72.3	59.8	67.1	46.3
Expense ratio	27.8	22.8	35.0	28.5	27.9
Combined ratio	**92.9**	**95.1**	**94.8**	**95.6**	**74.2**

1 Including net reinsurance income / expense.

New business margin

The new business margin is used to measure the profitability of new business in the life segment.

	2023	2022
CHF million		
Value new business	177.4	200.9
Present value new business premium (PVNBP)	2,748.6	3,015.0
New business margin	**6.5%**	**6.7%**

Insurance revenue by sector
The Baloise Group's insurance revenue in the non-life business is presented below, broken down by sector.

	2023	2022	+/– %
CHF million			
Motor	1,246.1	1,252.5	– 0.5
General liability	379.3	368.9	2.8
Accident	446.6	423.6	5.4
Health	181.4	179.6	1.0
Property	1,382.7	1,330.5	3.9
Marine	250.5	259.8	– 3.6
Other	126.3	121.6	3.9
Non-life insurance revenue by sector	**4,013.0**	**3,936.5**	**1.9**

CSM development
The following table shows the material factors affecting the change in the CSM in the Baloise Group. The CSM represents the unearned profit of a group of insurance contracts that an entity will recognise as it provides insurance contract services in the future.

	2023	2022
CHF million		
Balance as at 1 January	**5,391.8**	**6,010.2**
Expected business contribution	113.8	16.9
New business CSM	167.0	200.8
Economic variances	– 406.4	– 767.4
Operating variances	– 149.2	233.6
CSM release	– 252.3	– 302.4
Balance as at 31 December	**4,864.8**	**5,391.8**

Banking activities

The tables below provide an overview of banking activities.

Profit or loss from banking activities

CHF million	2023	2022
Interest revenue calculated using the effective interest method	140.3	71.8
Investment income	0.5	12.8
Realised gains and losses on investments	18.4	– 43.1
Change in expected credit loss	1.1	– 0.4
Result from financial contracts	– 69.0	29.4
Result from investments and financial contracts	**91.4**	**70.4**
Income from services rendered	162.8	160.5
Other operating income	14.7	15.2
Other operating expenses	– 186.5	– 181.7
Share of profit (loss) of associates and joint ventures	– 0.1	0.0
Profit and loss from owner-occupied properties FVPL	–	–
Profit / loss before borrowing costs and taxes	**82.3**	**64.4**
Borrowing costs	0.0	0.0
Profit / loss before taxes	**82.2**	**64.4**
Income taxes	– 12.6	– 10.0
Profit / loss for the period (segment result)	**69.6**	**54.4**

Additional information

CHF million	31.12.2023	31.12.2022
Third-party assets	14,993.0	12,627.2

Asset allocation

CHF million	31.12.2023	31.12.2022
Investment property	–	–
Financial instruments with characteristics of equity	23.0	17.8
Financial instruments with characteristics of debt	123.1	109.1
Mortgages and loans	7,514.8	7,319.2
Derivative financial instruments	39.3	72.4
Cash and cash equivalents	954.4	922.9
Total	**8,654.5**	**8,441.3**

Investment performance (insurance)

The tables below provide an overview of the investment performance of the Baloise Group's insurance business, broken down into non-life and life.

Non-life

	2023					2022
	Current investment income	Gains and losses through income statement [3]	Total investment income in income statement	Gains and losses through other comprehen-sive income	Total investment income (P&L and OCI)	Total investment income (P&L and OCI)
CHF million						
Fixed-income securities	95.2	–73.2	22.0	274.8	296.7	–851.7
Equities and funds	26.6	–8.8	17.8	4.4	22.2	–40.7
Investment property	36.3	1.6	37.9	–	37.9	64.9
Mortgages and loans [2]	38.7	0.7	39.5	28.3	67.8	–94.2
Derivative financial instruments	–	11.0	11.0	25.1	36.1	–0.4
Total before investment expenses	**196.8**	**–68.7**	**128.1**	**332.6**	**460.7**	**–922.2**
Investment expenses			–25.3		–25.3	–28.0
Investment income			**102.8**		**435.4**	**–950.2**
Average investments	9,410.3		9,410.3		9,410.3	10,053.1
Yield	**2.1%**		**1.1%**		**4.6%**	**–9.5%**

Life

	2023					2022
	Current investment income	Gains and losses through income statement [3]	Total investment income in income statement	Gains and losses through other comprehen-sive income	Total investment income (P&L and OCI)	Total investment income (P&L and OCI)
CHF million [1]						
Fixed-income securities	489.8	1,227.1	1,716.9	30.1	1,747.0	–5,514.0
Equities and funds	83.0	76.8	159.8	–0.1	159.7	–122.7
Investment property	243.2	–73.4	169.8	–	169.8	456.6
Mortgages and loans [2]	122.0	130.9	252.9	–	252.9	–720.9
Derivative financial instruments	–	123.2	123.2	93.0	216.1	2.5
Total before investment expenses	**938.0**	**1,484.6**	**2,422.6**	**122.9**	**2,545.5**	**–5,898.5**
Investment expenses			–103.7		–103.7	–111.3
Investment income			**2,318.9**		**2,441.8**	**–6,009.9**
Average investments	41,911.0		41,911.0		41,911.0	46,660.9
Yield	**2.2%**		**5.5%**		**5.8%**	**–12.9%**

1 Excluding investments for the account and at the risk of customers and third parties.
2 Including cash.
3 Including change in expected credit loss.

Asset allocation – average for the period

	2023			2022		
	Non-life	Life[2]	Total	Non-life	Life[2]	Total
CHF million						
Fixed-income securities	5,191.4	23,884.8	29,076.2	5,428.5	27,089.4	32,517.8
Equities and funds	989.7	2,843.1	3,832.8	1,333.2	3,542.9	4,876.1
Investment property	1,030.7	7,329.2	8,359.8	1,023.5	7,444.2	8,467.8
Mortgages and loans[1]	2,173.9	7,455.6	9,629.5	2,248.6	8,104.2	10,352.8
Derivative financial instruments	24.6	398.3	422.9	19.3	480.3	499.6
Total	**9,410.3**	**41,911.0**	**51,321.2**	**10,053.1**	**46,660.9**	**56,714.1**

1 Including cash.
2 Excluding investments for the account and at the risk of customers and third parties.

Risk management

Risk management; a key pillar of our value creation

Risk management objectives

- Identification and measurement of key risks
- Compliance with all external requirements regarding risk management
- Carefully considered management of opportunities, taking account of the risks
- Involvement of our employees from different departments and operating segments in the risk management system
- Active communication about the risk situation
- Integration of sustainability risks and climate risks into the risk management system and in the investment and underwriting process

Impact of risk management

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

Risk management is a key element of a sustainability-focused corporate governance system and, as such, plays an important role in adding value for all our stakeholders. It helps to ensure a strong balance sheet, a high level of operational profitability, a well-developed risk culture, consistent risk processes and a sustainable investment policy. The main tasks of risk management are to satisfy the statutory and regulatory requirements applicable to Baloise and to optimise the risk/return ratio. It thus involves managing risk and value and is based on innovative standards so that we can always keep our promise to our customers and maintain and increase value for our stakeholders in the long term.

The Baloise Board of Directors exercises ultimate supervisory authority over the operational management of the Company and the Group and is thus responsible for managing risk and ensuring compliance with the relevant laws. It appoints the Strategy and Governance Committee to exercise this function, alongside the Audit Committee and the Investment and Risk Committee. The duties of the Strategy and Governance Committee include acting as the advisory committee for sustainability matters (see 'Sustainability governance' chapter, page 24 onwards)

The Corporate Executive Committee has overall responsibility for developing a detailed risk management concept, which is implemented by the central risk management function of the Baloise Group and by the local risk management teams at the level of the strategic business units. At Group level and locally, the risk management teams are supported by risk committees, which meet regularly.

Our risk management is a standardised strategic and operational system that is applied throughout the Baloise Group and covers the following areas:

- **Risk governance and risk culture**
  Standards that apply across the Group form the backbone of Baloise's risk strategy and define – in the form of a risk map – the fundamental risk issues, such as actuarial risk and market risk, as well as the operational risk arising from business activities. The detailed risk map can be found on pages 192 and 193 of the 2023 Financial Report. Risk awareness is encouraged and embedded throughout the organisation. One way in which we achieve this is by involving our employees from different departments and operating segments in the risk management system, for example in the assessment of risks and in the allocation of responsibility for risks.

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

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

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

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

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

Risk management system and risk culture

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

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

Compliance with regulatory obligations and disclosure requirements

By complying with regulatory obligations and disclosure requirements in risk management, we show that we are a reliable partner to regulatory authorities, customers, investors and society.

Baloise meets various regulatory obligations such as the Swiss Solvency Test (SST), Solvency II, the Own Risk and Solvency Assessment (ORSA) and the requirements for internal control systems. This helps it to monitor risk and provide regular reports on its risk and solvency situation to the regulators. Fulfilment of these requirements ensures that we reduce unwanted risks to the greatest possible extent and remain solvent even under adverse circumstances so that we can always meet our obligations to customers.

The calculation methods stipulated by the Swiss Solvency Test and the Solvency II guidelines provide the basis for the quantitative risk measurement of all business and financial market risks. This combination of quantitative risk measurement and analysis of specific risks as described above ensures that we have an adequate overview of the prevailing risk situation at all times. The overall risk situation is presented in the Own Risk and Solvency Assessment and discussed with the decision-makers as a basis for developing appropriate action plans.

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

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

Our risk management team proactively participates in discussions with our partners, thereby contributing to society and to a better understanding of the future risks for the insurance industry. Baloise is a member of the Swiss Insurance Association (SIA), for example. We fulfil our responsibilities through our work with the association, and also in direct cooperation with the regulatory authorities, by providing support in the form of data, analyses and assessments for industry surveys about specific issues and for use in the ongoing development of the regulatory system.

Risk management

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

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

What do we mean by sustainability and climate risks?

Baloise bases the classification of sustainability and climate risks on commonly used frameworks. Sustainability risks are classified as pertaining to the environmental, social or corporate governance (ESG) dimensions.

- 'Environmental' refers to all risks relating to the environment and climate change.
- 'Social' refers to trends and developments that affect the whole of society or certain population groups.
- 'Governance' covers all matters that relate to the way Baloise and its affiliated companies are run.

Based on the commonly used typology, climate risks, which are an important subcategory of environmental risks, are further subdivided into:

- **Physical risks**
  In the short term, physical climate risks arise in the form of natural disasters. But especially in the medium and long term, climate change will give rise to further risks arising from the increasing prevalence of natural phenomena such as hurricanes, floods, hailstorms and fires. Chronic risks with long-term effects, such as rising sea levels, represent potential emerging risks, especially as they are expected to have an adverse impact on investments and insured business in low-lying regions.
- **Transition risks**
  In the short term, changes in the expectations of stakeholders with regard to sustainability – and the resulting shift in demand for financial and insurance products – will create competition risks if we do not respond appropriately. Moreover, an unexpectedly strong fall in demand in respect of certain companies or sectors in which we have invested could lead to market risks (stranded assets). There is a risk in the medium term that these circumstances are not adequately factored into strategic decisions and that suitable adjustments are not made to our product range. It is also important to consider technological developments in connection with the transition to a lower-carbon economy. Risks could also arise for Baloise in the longer term if companies are increasingly held liable for the environmental damage they cause, for example due to pollution, endangering of biodiversity or breaches of environmental standards.

Integration and assessment of sustainability risks in the risk management process

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

To integrate sustainability aspects, we first identified various sustainability risk clusters (e.g. storm and flood disasters) and, working closely with the underwriting, investment and actuarial departments, used the findings to determine any potential or actual risks. We then added the material risks identified by means of this process to our Group-wide frameworks. These are evaluated as part of the Own Risk and Solvency Assessment along the risk map within the established risk categories used by insurance companies, banks and asset management companies, such as actuarial risk or credit risk and market risk. In addition, sustainability aspects that are of strategic relevance in terms of risk are addressed as a separate risk type in the context of the business strategy.

Although sustainability risks are predominantly evaluated on a qualitative basis in ORSA, we also have other established quantitative processes and methods, such as natural disaster analysis, that we regularly use in collaboration with our reinsurance brokers.

Within ORSA, we analyse sustainability and climate risks over a short-term horizon (around one year), a medium-term horizon (between one and five years) and a long-term horizon (more than five years). The assessment is integrated into the usual ORSA risk measurement processes. The resulting risk situation is discussed in detail with the Corporate Executive Committee and its committees – primarily the Risk Committee – and signed off by the Board of Directors.

The integration of sustainability risks into existing risk management processes ensures that the results of regular analyses and assessments are incorporated into our strategic risk management approach and that this approach is adequate for dealing with these risks. In addition, general risk awareness is strengthened through the involvement of our employees from different departments and operating segments. This ongoing integration of sustainability risks and climate risks into our management of risk constitutes an important step in implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) (see page 295 TCFD references).

Inclusion of sustainability criteria in our investment and underwriting policy

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

By integrating ESG factors into our investment process, we are making a positive contribution to the environment, society, investors and customers. This is being achieved as part of Baloise's responsible investment strategy, which incorporates the climate strategy and active ownership strategy applicable to asset management. We are reducing investment risks in the long term by investing in companies whose management of ESG risks is categorised as good. These companies are more resilient in times of crisis and, in particular, can minimise downside risks. This benefits the environment and society as a whole, as these companies reduce their negative impact or even generate a positive impact. Our customers and investors benefit indirectly from the positive impact on society as a whole and directly from the potential long-term positive effects of this investment strategy on the risk/return ratio.
www.baloise.com/sustainability

Our underwriting policy also increasingly takes account of sustainability criteria, especially in new insurance business with industrial and large corporate customers. In addition, we see ourself as a reliable partner for customers whose business model is currently undergoing a transformation. We have launched a process in product management that identifies market-specific opportunities in the field of sustainability that can then be addressed through products and services. This allows us to make a positive contribution to society and environmental protection through our core business (see chapter 'Responsible underwriting', page 306 onwards).

By embedding sustainability criteria in our investing and underwriting policy in this way, the environmental, social and corporate governance risks can be given equal consideration. Anti-corruption measures fall under compliance (Bribery and Corruption Policy), which is explained in the 'Compliance' chapter, while respect for human rights forms part of the Code of Conduct, which is discussed in the same chapter.

External view of capitalisation and risk management

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

Corporate Governance

Corporate Governance Report

Corporate Governance Report

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

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

This chapter reflects the structure of the SIX Corporate Governance Guidelines as amended on 29 June 2022 in order to improve comparability with previous years and with other companies. It includes the requirements of economiesuisse's Swiss Code of Best Practice for Corporate Governance, which contains recommendations on the remuneration paid to the Board of Directors and the Executive Committee. In item 5 of its Corporate Governance Report, Baloise publishes the principles used to determine the content and scope of the disclosures on remuneration in the Remuneration Report (Appendix 1 to the Corporate Governance Report, page 51 onwards).

The information contained in the Corporate Governance Report refers to the situation on the balance sheet date (31 December 2023). Additional reference is made to material changes occurring between the balance sheet date and the print deadline for the Annual Report.

Sustainable business management plays an important role at Baloise. In addition to the information provided in the Corporate Governance Report, governance structures – both general and relating to specific areas – are described in more depth in the sustainability section of the Company's Annual Review.

1. Structure of the Baloise Group and shareholder base

Structure of the Baloise Group

Headquartered in Basel, Switzerland, Baloise Holding Ltd is a public limited company that is incorporated under Swiss law and listed on the Swiss Exchange (SIX). The Baloise Group had a market capitalisation of CHF 6,036.4 million as at 31 December 2023.

- Information on Baloise shares can be found in the Annual Review from page 38 onwards.
- Significant subsidiaries, joint ventures and associates as at 31 December 2023 can be found from page 184 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 95 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 46 onwards.

Shareholder base

As a public company with a broad shareholder base, Baloise Holding Ltd is a member of the SMI Mid (SMIM) Index. A total of 30,778 shareholders were registered in Baloise Holding Ltd's share register as at 31 December 2023. The number of registered shareholders had increased by 12.6 per cent compared with the previous year. The "Significant shareholders" section on page 267 provides information on the structure of the Company's shareholder base as at 31 December 2023.

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.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html.**

Treasury shares

Baloise Holding Ltd held (directly and indirectly) 283,523 treasury shares (0.619 per cent of the issued share capital) as at 31 December 2023.

Cross-shareholdings

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

Dividend policy

Baloise Holding Ltd pursues a policy of paying consistent, earnings-related dividends. It uses other dividend instruments such as share buy-backs to supplement conventional cash dividends. Shareholders have received a total of CHF 1,919.6 million from cash dividends and share buy-backs over the last five years.

	Cash dividends	Share buy-backs	Total
Year (CHF million)			
2023	352.7 [1]	–	352.7
2022	338.9	–	338.9
2021	320.6	–	320.6
2020	312.3	92.8	405.1
2019	312.3	190.0	502.3
Total	**1,636.8**	**282.8**	**1,919.6**

All figures stated as at 31 December.
1 Proposal to the Annual General Meeting on 26 April 2024.

2. Capital structure

Baloise Holding Ltd's equity

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

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

	31.12.2023	31.12.2022	31.12.2021
CHF million			
Share capital	4.6	4.6	4.6
General reserve	11.7	11.7	11.7
Reserve for treasury shares	5.4	7.8	7.6
Free reserves	644.4	573.6	502.8
Distributable profit	444.0	407.4	391.6
Treasury shares	–6.0	–8.1	–9.3
Equity attributable to Baloise Holding Ltd	**1,104.1**	**997.0**	**909.1**

Since the capital reduction decided on 30 April 2021, the share capital of Baloise Holding Ltd has totalled CHF 4.58 million and is divided into 45,800,000 dividend-bearing registered shares with a par value of CHF 0.10 each.

Capital band and conditional capital; other equity instruments

Capital band

A resolution adopted by the Annual General Meeting on 28 April 2023 has authorised the Board of Directors until 28 April 2028 to increase or reduce the Company's share capital within a capital band with a lower limit of CHF 4,122,000 and an upper limit of CHF 5,038,000 (see article 3 [4] of the Articles of Association).
www.baloise.com/articles-of-association

Conditional capital

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

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

www.baloise.com/articles-of-association

Upper limit for the disapplication of pre-emption rights

The total number of registered shares that the Board of Directors is authorised to issue from the conditional capital and from the capital band, in each case disapplying or limiting shareholders' pre-emption rights, is limited to 4,580,000 registered shares, which equates to 10 per cent of the current issued capital (see article 3 [9] of the Articles of Association).

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 3,259.3 million on 31 December 2023. Details of changes in consolidated equity in 2022 and 2023 can be found in the consolidated statement of changes in equity on pages 82 and 83 in the Financial Report. All pertinent details relating to 2021 can be found in the consolidated statement of changes in equity on page 88 in the 2022 Annual Report.

Bonds outstanding

Baloise Holding Ltd and Baloise Life Ltd (with Baloise Holding Ltd acting as guarantor) have issued bonds publicly. As at the end of 2023, a total of 14 public bonds were outstanding. Details of outstanding bonds can be found on pages 156 and 265 and on the website.

www.baloise.com/bonds

Credit rating

On 2 August 2023, the credit rating agency Standard & Poor's confirmed its rating for the Baloise Group's core companies of A+ with a stable outlook. Standard & Poor's awarded this credit rating in recognition of Baloise's excellent capitalisation – which is comfortably above the AAA level according to the S&P capital model – as well as its high operational profitability and robust competitive position in its profitable core markets. Information about the ratings of Baloise Holding Ltd and its subsidiaries Baloise Belgium NV (Belgium), Baloise Sachversicherung AG (Germany), Baloise Insurance Ltd (Switzerland) and Baloise Life Ltd (Switzerland) can be found on the website.

www.baloise.com/rating

3. Board of Directors

Election and term of appointment

The Board of Directors consists of nine members. Each member of the Board of Directors has been elected for a term of one year at a time. As at 31 December 2023, the average age on the Board of Directors was 59. The average term of office is five years.

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

Members of the Board of Directors

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

During the reporting year, Dr Thomas von Planta, Christoph Mäder, Dr Maya Bundt, Claudia Dill, Christoph B. Gloor, Hugo Lasat, Dr Karin Lenzlinger Diedenhofen, Dr Markus R. Neuhaus, Professor Hans-Jörg Schmidt-Trenz and Professor Marie-Noëlle Venturi - Zen-Ruffinen were re-elected as members of the Board of Directors for a one-year term until the end of the next Annual General Meeting. Claudia Dill stepped down from the Board of Directors on 31 October 2023 in order to take on an operational role on the Executive Committee of a reinsurer.

All members of the Board of Directors apart from Hugo Lasat will be standing for re-election at the Annual General Meeting on 26 April 2024 (for nominations see also "Succession planning" on p. 38).

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

Members

	Strategy and Governance Committee	Investment and Risk Committee	Remuneration Committee	Audit Committee
Thomas von Planta	C	M		
Christoph Mäder	DC		C	
Maya Bundt				M
Claudia Dill*		M		
Christoph B. Gloor		C	M	
Hugo Lasat		DC		
Karin Lenzlinger Diedenhofen			M	
Markus R. Neuhaus	M			C
Hans-Jörg Schmidt-Trenz			DC	M
Marie-Noëlle Venturi - Zen-Ruffinen	M			DC

C: Chair, DC: Deputy Chair, M: Member.
* Claudia Dill resigned from the Board of Directors with effect from 31 October 2023.

Members	Term of appointment (full years)	Board of Directors	C-Level	Insurance	Banking / Asset Management	Finance / Audit / Risk Management	Legal / Compliance / Governance	Digitalisation / Technology	Nationality	Gender	Age	Non-Executive	Independent
Thomas von Planta	6	●	●		●	●	●		CH	M	62	Yes	Yes
Christoph Mäder	4	●	●			●	●	●	CH	M	64	Yes	Yes
Maya Bundt	1	●		●	●	●		●	CH/DE	F	52	Yes	Yes
Claudia Dill*	1	●	●	●	●	●			CH	F	57	Yes	Yes
Christoph B. Gloor	9		●		●	●		●	CH	M	57	Yes	Yes
Hugo Lasat	7		●		●	●			BE	M	59	Yes	Yes
Karin Lenzlinger Diedenhofen	2	●	●			●			CH	F	64	Yes	Yes
Markus R. Neuhaus	4	●	●			●	●		CH	M	65	Yes	Yes
Hans-Jörg Schmidt-Trenz	5		●	●		●	●		DE	M	64	Yes	Yes
Marie-Noëlle Venturi - Zen-Ruffinen	7	●			●		●		CH	F	48	Yes	Yes

Board of Directors	In a listed company
C-Level	In a listed or private company
Insurance	In a senior position in a company within the insurance or reinsurance sector
Banking/Asset Management	In a senior position in a bank or an asset management department/company
Finance/Audit/Risk Management	In a senior position in the finance or risk management division of a company or in a senior audit function in a leading audit firm
Legal/Compliance/Governance	Degree in law; senior position in Legal and/or Compliance

* Claudia Dill resigned from the Board of Directors with effect from 31 October 2023.

Statutory rules concerning the number of permitted activities

The Articles of Association contain a provision (article 33) concerning the maximum number of directorships that can be held outside the Company. Subsection 1 stipulates that the number of external directorships held by members of the Board of Directors or of the Corporate Executive Committee must be compatible with the commitment, availability, capabilities and independence necessary for the performance of their duties as members of the Board of Directors or Corporate Executive Committee. Subsection 3 specifies numerical restrictions. Subsection 2 stipulates that directorships of members of the Board of Directors and of the Corporate Executive Committee in comparable functions in other companies with a commercial purpose must be included. In this Annual Report, directorships are disclosed in accordance with the provisions of the Articles of Association and in accordance with the SIX Corporate Governance Guidelines.

Interlocking directorates

There are no interlocking directorates.

Internal organisation

Functions and responsibilities of the Board of Directors

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

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

www.baloise.com/articles-of-association

Information on the Board of Directors' role in corporate, social and environmental responsibility can be found on page 24 onwards in the Company's Annual Review.

The Chairman of the Board of Directors is also Chairman of the Strategy and Governance Committee, and presides over the meetings of both bodies. He is also a member of the Investment and Risk Committee (which he chaired until the end of April 2023). He represents the Company externally and, acting in this capacity, maintains contact with investors, government agencies, trade associations and other Baloise stakeholders. The Chairman of the Board of Directors is in close and constant contact with the Group CEO. He attends the meetings of the Corporate Executive Committee when appropriate, particularly when matters of strategic or long-term importance are being discussed. He ensures that the decisions of the Board of Directors are implemented by the Corporate Executive Committee and, conversely, that the Board of Directors is kept informed on all matters of material importance to the decision-making and monitoring process at Baloise.

The Board of Directors has a Vice-Chairman who is an ex officio member of the Strategy and Governance Committee (see section C2.2 of the Organisational Regulations); he is also the Chairman of the Remuneration Committee. The Chairman of the Audit Committee is also a member of the Strategy and Governance Committee. The heads of the control functions (Risk Management, Compliance, Group Internal Audit and the Appointed Actuary) report to him, as do the external auditors. The Chairman of the Audit Committee has powers that enable him to ensure the independence of the control functions. The members of the Strategy and Governance Committee have the right to convene a meeting at any time.

Committees of the Board of Directors

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

The committees appointed by the Board of Directors generally consist of four members, who are newly elected every year by the Board of Directors. Article 733 OR requires the members of the Remuneration Committee to be individually elected by the Annual General Meeting. The Chairman and Vice-Chairman of the Board of Directors are ex officio members of the Strategy and Governance Committee. The Chairman of the Board of Directors is not allowed to sit on the Audit Committee. The committees' basic functions and responsibilities are specified in the Organisational Regulations. Additional specific regulations applicable to individual committees govern administrative and other aspects.

Functions and responsibilities of the committees

The **Strategy and Governance Committee** monitors the progress of strategy and sustainability matters on behalf of the Board of Directors. The Board of Directors is responsible for both areas (in the case of strategy, this is mandated by article 716a OR) and, where required, adopts the relevant resolutions. The Strategy and Governance Committee prepares nominations within the parameters of the Board of Directors' responsibility for nominations and elections.

The **Investment and Risk Committee** supports the Board of Directors in the areas of investment management, capital management and risk management. It oversees investment activities and assesses capital adequacy and asset and liability management as part of its overall review of financial risks. Key influencing factors (such as solvency, cover assets and reserves) are now taken into account in the committee when reviewing asset management. The committee reviews the risk strategy and risk appetite of the Group for subsequent appraisal by the Board of Directors and takes note of risk reports.

The **Audit Committee** supports the Board of Directors in its supervision of accounting, financial and regulatory reporting and compliance with statutory provisions. Only independent members of the Board of Directors may sit on the Audit Committee, which receives the reports from the various control functions (such as the external auditors, Internal Audit, Compliance and Risk Management).

The **Remuneration Committee** proposes to the Board of Directors – for subsequent approval by the Annual General Meeting – the structure and amount of remuneration paid to the members of the Board of Directors and of the salaries paid to the members of the Corporate Executive Committee. Under article 735 OR, the remuneration paid to the Board of Directors and the Corporate Executive Committee has to be approved by the Annual General Meeting. The Remuneration Committee approves the target agreements and performance assessments that are applied to the Corporate Executive Committee members in order to determine their variable remuneration. It also sanctions the remuneration policies applicable to the Corporate Executive Committee members and ensures that they are being correctly implemented. It approves the variable remuneration granted to individual members of the Corporate Executive Committee; this remuneration has to be within the maximum amount approved by the Annual General Meeting. Furthermore, it specifies the total amount available in the performance pool. The Remuneration Committee is elected by and reports to the Annual General Meeting.

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/articles-of-association

The attendance rate at the ordinary meetings of the full Board of Directors and its committees was 100 per cent. Six members each missed one of the total of eleven, shorter extraordinary meetings of the full Board of Directors, which equates to an attendance rate of 94.5 per cent. The members who sent their apologies were Dr Maya Bundt, Claudia Dill, Dr Karin Lenzlinger Diedenhofen, Hugo Lasat, Dr Markus Neuhaus and Professor Marie-Noëlle Venturi - Zen-Ruffinen.

In 2023, the full Board of Directors of Baloise Holding Ltd held six ordinary meetings, plus eleven extraordinary meetings to discuss succession planning for the Corporate Executive Committee and the transition to IFRS 17/9, which lasted one to two hours. The ordinary meetings of the Board of Directors usually last a full working day, while the meetings of its committees last either half a working day or a full working day.

The Strategy and Governance Committee convened eight times in 2023, which included one two-day strategy meeting. The Investment and Risk Committee and the Remuneration Committee each met on four occasions. The Audit Committee held five meetings, two of which included workshops on finance transformation and anti-fraud measures.

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

Self-evaluation

Every year, a comprehensive self-evaluation is carried out in the full Board of Directors and in all committees to verify that each body is working efficiently and effectively. The review covers the composition of the Board of Directors, the availability of its members, engagement, cooperation and culture within the Board of Directors, the processes for preparing for and holding the meetings and the interaction between the Corporate Executive Committee and the management. The members of each committee discuss the findings and agree on appropriate measures, including the priorities for the following year.

Training and development

The members of the Board of Directors participate in multi-day introductory programmes in preparation for a new role on the board and/or committee and then receive ongoing training (at least once a year) in half-day seminars on specific topics. In 2023, a seminar on Baloise's resilience was held for the Board of Directors.

Succession planning

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

Care is taken to ensure that the composition of the Board of Directors is balanced in terms of the experience and knowledge of its members and their nationality, term of appointment and gender (see chart on page 36). Any restrictions on availability and potential conflicts of interest rising from other mandates are also taken into account.

The Board of Directors will propose that Dr Guido Fürer be elected to the Board of Directors at the Annual General Meeting on 26 April 2024. As a proven investment expert who also has many years of experience in the reinsurance industry, he will bring additional expertise to the Board of Directors, particularly in the areas of insurance, asset management and risk management.

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

The division of authorities, functions and responsibilities between the Board of Directors and the Corporate Executive Committee is governed by law, the Articles of Association and the Organisational Regulations. The Organisational Regulations are reviewed on an ongoing basis and updated as changing circumstances require. As a result of the company law reform that came into effect on 1 January 2023, amendments to the Articles of Association were made at the Annual General Meeting on 28 April 2023. The Board of Directors then amended the Organisational Regulations in accordance with the changes to the Articles of Association.
www.baloise.com/articles-of-association

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 25 onwards and in the Financial Report starting on page 190.

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

Thomas von Planta (1961, Switzerland, Dr iur., lawyer)
has been a member of the Board of Directors since 2017 and its Chairman since April 2021. Until 2019, he was Chairman of the Board of Directors of Bellevue Group AG, Bank am Bellevue AG and Bellevue Asset Management AG. Before that, he had worked for Goldman Sachs in Zurich, Frankfurt and London for around ten years and had been the interim Head of Investment Banking and Head of Corporate Finance for the Vontobel Group in Zurich from 2002 to 2006. Until 2021, he was managing director of CorFinAd AG, a company he founded that specialises in consultancy for M&A transactions and capital market finance. Dr Thomas von Planta has been a member of the Board of Directors of BB Biotech AG since March 2019 and its Chairman since 21 March 2024. He is an independent non-executive director.

Christoph Mäder (1959, Switzerland, lawyer)
has sat on the Board of Directors since 2019 and has been Vice-Chairman since May 2022. From 2000 to 2018, he was a member of the Syngenta International AG executive team with responsibility for legal and tax. He was also a member of the Management Board of the Basel Chamber of Commerce and of scienceindustries until 2018, serving as the latter's president between 2008 and 2014. He has been president of economiesuisse, the umbrella organisation representing Swiss business, since 2020. Christoph Mäder is Vice-Chairman of the Board of Directors of Lonza Group AG, a member of the Board of Directors of Assivalor AG, a member of the Bank Council of the Swiss National Bank and, since 19 March 2024, a member of the Board of Directors of Schindler Holding AG. He is an independent non-executive director.

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

Christoph B. Gloor (1966, Switzerland, degree in business economics HWV) has been a member of the Board of Directors since 2014. Since 2019, he has been a director and limited partner in Basel-based private bank E. Gutzwiller & Cie, Banquiers. He had previously been partner and Chief Executive Officer of private bank La Roche & Co AG before going on to become a member of the Executive Committee and Deputy CEO of Notenstein La Roche Privatbank AG and Deputy Head of Wealth Management at Bank Vontobel AG. Prior to joining La Roche & Co AG in 1998, he worked for Swiss Bank Corporation (SBC) before moving to Vitra (International). Christoph B. Gloor served as president of the Association of Swiss Private Banks from 2013 to 2015 and was a member of the Board of Directors of the Swiss Bankers Association from 2013 to 2015. He was a member of the Board of Managing Directors of the Basel Banking Association until 2019. Since July 2023, he has also been Chairman of the Investment Committee at Endress Familien AG. He holds an Executive Master in Change from INSEAD, where he also completed the International Directors Program in 2018. He is an independent non-executive director.

Hugo Lasat (1964, Belgium, Master in Economic Sciences, Master in Finance) has sat on the Board of Directors since 2016. He has been Group CEO of Brussels-based Degroof Petercam since 2021. In this role, he also chairs the Board of Directors of Degroof Petercam Asset Management (DPAM), a company he previously ran as CEO. Hugo Lasat is a member of the Boards of Directors of Banque Degroof Petercam in Luxembourg and Febelfin vzw/asbl, Brussels, and his previous managerial roles include CEO of Amonis Pension Fund and of the Candriam Investors Group. He is a guest professor at KU Leuven (Brussels Campus). He is an independent non-executive director.

Karin Lenzlinger Diedenhofen (1959, Switzerland, Dr oec. HSG) has been a member of the Board of Directors since 2021. She has been a member of the Board of Directors of SV Group AG since 2010 and its Vice-Chairwoman since 2017. Since 2015, she has been Chairwoman of the Board of Directors and of the staff pension fund of Zürcher Oberland Medien AG. Until the end of February 2024, she was a member of the Board of Directors of LLB (Schweiz) AG. She is a member of the Board of Directors of Übermorgen Ventures Investment AG and sits on various boards of foundations and organisations with portfolios including corporate responsibility and sustainability. Dr Karin Lenzlinger Diedenhofen has been President of the Zurich Chamber of Commerce and a member of the Board of Directors of economiesuisse since 2013. Between 1991 and 2019, she held various positions, including – from 1999 – CEO and delegate of the Board of Directors of Lenzlinger Söhne AG, Nänikon/Uster. She is an independent non-executive director.

Markus R. Neuhaus (1958, Switzerland, Dr iur., qualified tax expert) has been a member of the Board of Directors since 2019. He was the Chairman of the Board of Directors of PricewaterhouseCoopers AG (PwC) from 2012 to 2019 and served as its CEO for a period of nine years prior to that. Dr Markus R. Neuhaus is Chairman of the Board of Directors of Galenica AG, Vice-Chairman of the Board of Directors of Barry Callebaut AG and a member of the Board of Directors of Jacobs Holding AG. He was Vice-Chairman of the Board of Directors of Orior AG until April 2023. Dr Markus R. Neuhaus is also Vice-President of Avenir Suisse and of the Zurich Chamber of Commerce, and a member of the Board of Foundation of the ETH Foundation. He is an independent non-executive director.

Hans-Jörg Schmidt-Trenz (1959, Germany, Prof. Dr rer. pol., economist) has sat on the Board of Directors since 2018. He is a Professor of Economics at Saarland University and the University of Hamburg (specialising in institutional economics and governance). From 1996 to 2017, he was Chief Executive Officer of the Hamburg Chamber of Commerce, and from 2010 to 2018, President of the Working Committee of European Chamber Chief Executives. Since 2022, he has been Vice-Chair of the World Chamber Federation of the International Chamber of Commerce (ICC). He was Founding President of the HSBA Hamburg School of Business Administration, a long-serving member of the Supervisory Board of Hamburg Airport, Hamburg Exhibition Centre and the NDR Broadcasting Council, as well as a member of the Boards of Trustees of Hamburger Sparkasse and HanseMerkur Versicherung. He is a member of the Board of Trustees of the Hamburg Academic Foundation, Chairman of the Board of Trustees of the Tafel foundation of Hamburg-Schleswig-Holstein and managing director of STconnect GmbH. He is an independent non-executive director.

Marie-Noëlle Venturi - Zen-Ruffinen (1975, Switzerland, Prof. Dr iur., lawyer) has been a member of the Board of Directors since 2016. She holds a PhD 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 is of counsel for the Geneva law firm Niederer Kraft Frey. She is Vice-Chair of the Board of Foundation of the Swiss Board Institute, Vice-Chair of the Board of Directors of Banco Santander International SA, a member of the Boards of Directors of Ina Invest Holding AG and Ina Invest AG, a member of the Board of Management of the Swiss Institute of Directors and a member of the Board of Foundation of the Foundation for Accounting and Reporting Recommendations (Swiss GAAP FER). She is an independent non-executive director.

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

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

4. Corporate Executive Committee

Michael Müller (1971, Switzerland , lic. oec. publ.)
graduated in economics from the University of Zurich, specialising in insurance and accounting/finance. He began his career at Baloise in 1997, starting as a management trainee, then working in Group Finance and eventually becoming Deputy Head and, in 2004, Head of Financial Accounting for the Baloise Group. In 2009, as Head of Finance and Risk, he became a member of the senior management team in Corporate Division Switzerland. He became a member of the Corporate Executive Committee and CEO of Corporate Division Switzerland in 2011, and as such was in charge of business in Switzerland. Michael Müller has been Group CEO since 1 July 2023.He is a member of the Swiss Insurance Association (SIA) and treasurer of the Swiss Employers Confederation (SAV).

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

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

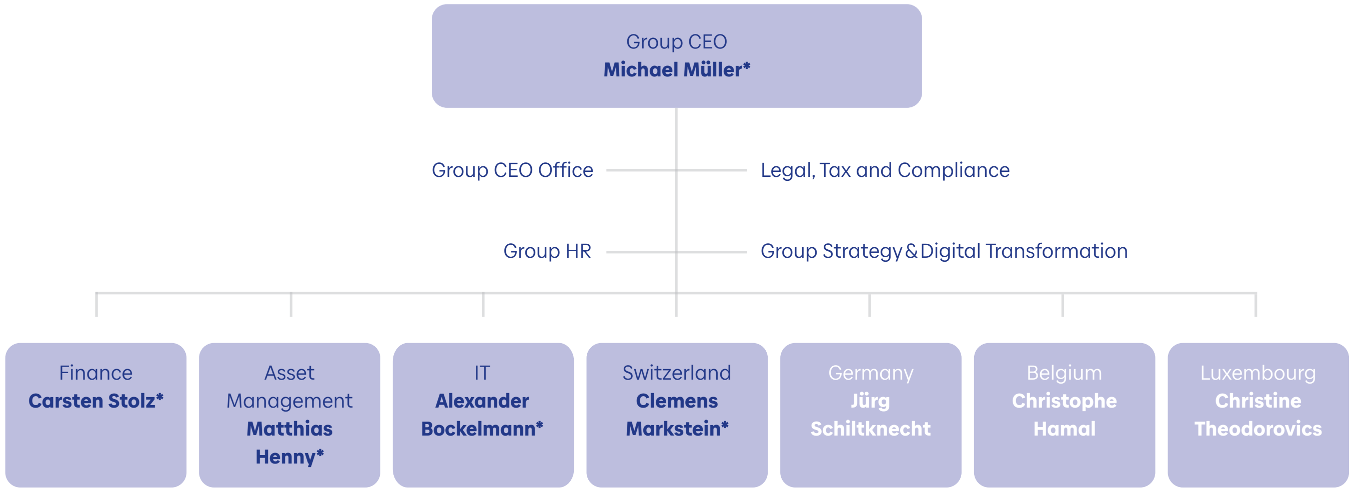
Clemens Markstein (1971, Germany, Dipl.-Wi.-Ing.)
studied industrial engineering at Karlsruhe University and trained in strategy, marketing and finance during a management programme at Wharton Business School and at the University of St. Gallen. He also completed an advanced management programme at the INSEAD Business School. Clemens Markstein began his professional career as a consultant at the Boston Consulting Group in Stuttgart. He then held various roles at Allianz in Germany and in Switzerland, before moving to Baloise. He joined the Executive Committee of Baloise's Corporate Division Switzerland in 2009 as Head of Product Management for Corporate Clients. He was Head of Operations & IT from 2017. Since 1 July 2023, Clemens Markstein has been a member of the Corporate Executive Committee and CEO of Corporate Division Switzerland, and as such is in charge of business in Switzerland. He became Chairman of the Board of Directors of Baloise Bank AG in September 2023. Since June 2023, Clemens Markstein has also been a member of the Executive Board Committee of the Association of Basel Insurance Companies and of 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 Baloise in Switzerland. Dr Carsten Stolz has been Head of Corporate Division Finance since May 2017 and is a member of the Corporate Executive Committee. He is an executive director at creace GmbH and a member of the Finance and Regulation Committee of the Swiss Insurance Association (SVV).

With the exception of the mandates listed above, no Corporate Executive Committee members serve on the Boards of Directors at companies outside the Baloise Group. There are no management agreements that assign executive functions to third parties. Further information on the members of the Corporate Executive Committee can be found on the website.
www.baloise.com/corporate-executive-committee

Management structure

(as at 31 December 2023)



* Member of the Corporate Executive Committee.

5. Remuneration, shareholdings and loans

The Remuneration Report in **Appendix 1** to the Corporate Governance Report (page 51 onwards) describes the remuneration policies adopted and the remuneration system in place, and contains in particular the remuneration paid and the loans granted to members of the Board of Directors and the Corporate Executive Committee in 2023 as well as the investments they hold. The content and scope of these disclosures are determined by article 734 to 734f OR, the corporate governance information guidelines published by SIX Swiss Exchange AG (version as at 29 June 2022) and economiesuisse's Swiss Code of Best Practice for Corporate Governance.

The report of the external auditors on the audit of the Remuneration Report can be found in **Appendix 2** to the Corporate Governance Report (page 72 onwards).

6. Shareholder participation rights

Voting rights

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

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

Statutory quorums

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

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

Convening the Annual General Meeting

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

The Annual General Meeting, the Board of Directors or the external auditors decide whether to convene extraordinary general meetings. Furthermore, legal provisions also require the Board of Directors to convene an extraordinary general meeting if requested by the shareholders (article 11 of the Articles of Association). Article 699 (3) OR states such requests must be made by shareholders who represent at least 5 per cent of the share capital or the votes.

Requesting agenda items

Shareholders representing at least 0.5 per cent of the share capital or votes can demand that items are placed on the agenda or that motions are submitted. Such requests must be submitted in writing to the Board of Directors at least six weeks before the Annual General Meeting is held, giving details of the agenda item and the motion to be put to the Annual General Meeting (article 14 of the Articles of Association).

Entry in the share register

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

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

www.baloise.com/articles-of-association
www.baloise.com/calendar

7. Changes of control and poison-pill measures

Shareholders or groups of shareholders acting together by agreement are required to issue a takeover bid to all other shareholders when they have acquired more than 33⅓ per cent of all Baloise shares. Baloise Holding Ltd has not made any use of the option to deviate from or waive this regulation. There is no statutory opting-out clause or opting-up clause as defined by the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FinfraG).

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

8. External auditors

The external auditors are elected annually by the Annual General Meeting. Ernst & Young AG (EY), Basel, has been the external auditing firm for Baloise since 2016. Christian Fleig has held the post of auditor-in-charge since 2018. 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

	2023	**2022**
CHF (including outlays and VAT)		
Audit fees	5,590,039	6,489,699
Consulting fees	189,530	27,342
Total	**5,779,569**	**6,517,041**

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

The services were rendered in accordance with the relevant provisions on independence set forth in the Swiss Code of Obligations, the Swiss Audit Supervision Act and FINMA Circular 2013/3 on auditing published by the Swiss Financial Market Supervisory Authority (FINMA).

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

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

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

9. Information policy

Information principles

Baloise provides (potential) shareholders, investors, employees, customers and the public with information on a regular, open and comprehensive basis. All registered shareholders receive a summary of the review of operating performance once per year. The full Annual Report is sent to shareholders on request and is also available on the website. 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.
www.baloise.com/annual-report

Information events

Baloise provides detailed information about its business activities as follows:

- Details about its financial performance, targets, strategies and operations are provided at media conferences covering its annual and half-year financial statements.
- Teleconferences for financial analysts and investors take place when the annual and half-year financial statements are published. The events can then be downloaded as podcasts.
- Shareholders are informed about business during the year at the Annual General Meeting.
- Roadshows are regularly staged at various financial centres.
- At Investor Days, the Company presents its corporate strategy, targets and 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 38 of the Annual Review.
www.baloise.com/baloise-share

Financial calendar

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

Availability of documents

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

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Remuneration Report

Letter from the Chairman of the Remuneration Committee

Dear shareholders,

I am delighted to present this remuneration report to you today and to inform you about the activities of the Remuneration Committee in the reporting year.

In 2022, we made significant improvements to the remuneration system and to related disclosures and provided a detailed account of the outcomes of these improvement measures in the remuneration report. Against this backdrop, we were pleased to see a year-on-year increase in the approval rate for the remuneration system to 86 per cent at the 2023 Annual General Meeting. This is testimony to the fact that we have taken the right course of action and that our efforts are being acknowledged and appreciated.

We actively engage with our shareholders, institutional investors and proxy advisors on an ongoing basis and value this transparent dialogue. It enables us to take your interests into account in our work in order to continually improve the remuneration system and our reporting on this subject.

As announced in last year's remuneration report, further adjustments have been made to the remuneration system in 2023. These focused primarily on strengthening the long-term variable remuneration in the following ways:

- The relative weighting of variable remuneration components in the remuneration of Corporate Executive Committee members has been changed with effect from the 2024 financial year without increasing the total remuneration package. The proportion of long-term variable remuneration (long-term incentive, LTI) in the Corporate Executive Committee's remuneration mix has been raised to 60 per cent of the basic salary (up from 40 per cent), while the proportion of short-term variable remuneration (short-term incentive, STI) has been reduced to 40 per cent (down from 60 per cent). This adjustment highlights our commitment to aligning the long-term interests of our investors and our senior management. For further information, see chapter 5.

- We also made changes to our performance share unit (PSU) plan, which constitutes the long-term variable remuneration component. As part of our review, we defined two additional metrics that will put the performance assessment for long-term variable remuneration on a broader footing from 2025 and will tie this remuneration component even more closely to the performance of our management. For further information, see chapter 5.

- We have further tightened the expiry provisions for PSU plans and have ensured that any outstanding entitlement to PSUs expires completely in the event of someone leaving the Company due to poor performance or misconduct or if they subsequently engage in any activities in competition with Baloise.

These steps have been taken to proactively address concerns of our shareholders and emphasise the long-term focus of our remuneration system.

The Remuneration Committee seeks to apply the principle of achievement-oriented remuneration in an appropriate manner. In 2023, the Corporate Executive Committee delivered solid work but failed to achieve certain targets in the quality assessment for its short-term variable remuneration. The Remuneration Committee has therefore decided to set the performance pool factor at 85 per cent, thereby reducing the payout of short-term variable remuneration for 2023.

The long-term variable remuneration granted to senior management in the form of PSUs is closely linked to the performance of Baloise, which is reflected in the valuation of PSU plans. As the performance of Baloise in the last three years has fallen short of expectations, all entitlements to shares allotted to eligible persons under the 2021 PSU plan have expired in full (performance multiplier of 0 per cent).

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 2024

Christoph Mäder
Chairman of the Remuneration Committee

1. Overview of remuneration

Remuneration system for the Board of Directors

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

Board of Directors' fees and mandatory share ownership

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

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

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

The Annual General Meeting held on 29 April 2022 approved an amount of CHF 3.4 million for the remuneration (including social security contributions and Share Subscription Plan discount) payable to the Board of Directors for 2023. The amount paid out was CHF 3.4 million.

Remuneration system for the Corporate Executive Committee

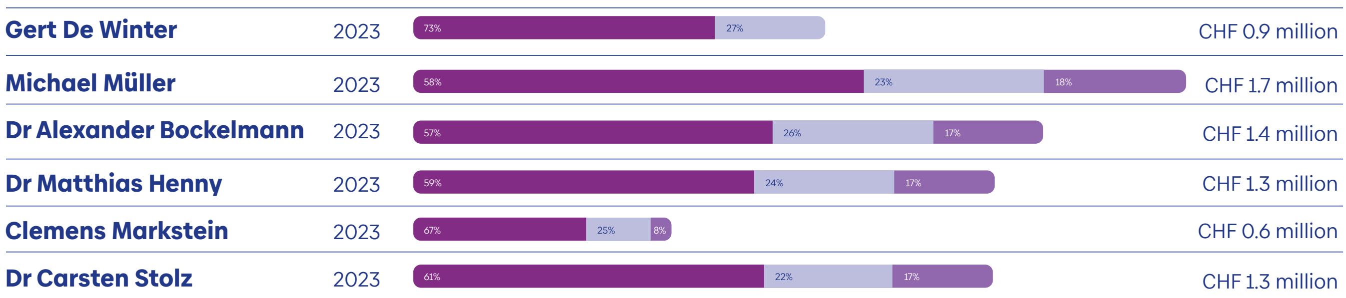
Members of the Corporate Executive Committee of the Baloise Group receive fixed remuneration and variable remuneration that comprises a short-term component (performance pool) and a long-term component (performance share units, PSUs). At least 50 per cent of short-term variable remuneration must be awarded in shares. PSUs under the long-term variable remuneration plan are prospective entitlements to shares that are either converted and definitively allocated after three years or expire at this point, depending on whether or not the performance requirement has been met. These elements ensure that remuneration is competitive and reflective of performance. They also incentivise recipients to achieve ambitious targets while simultaneously emphasising the importance of sustainable management practices. In addition, they strengthen the Company's ability to retain high performers and to align their interests with those of stakeholder groups, particularly our shareholders.

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

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

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

The Annual General Meeting held on 29 April 2022 approved an amount of CHF 4.15 million for the fixed remuneration (including social security contributions) payable to the Corporate Executive Committee for 2023. The amount paid out was CHF 4.0 million. In addition, the Annual General Meeting held on 28 April 2023 approved a maximum amount of CHF 5.0 million for the variable remuneration (including social security contributions and discounted subscriptions under the Share Subscription Plan) payable for 2023. The total amount paid out was CHF 3.0 million. The chart below shows the remuneration of the individual members of the Corporate Executive Committee for 2023 and the breakdown by remuneration component.



■ Fixed (includes basic salaries, non-cash remuneration and employer contributions to the state-run social security schemes and the occipational pension scheme) ■ Short-term variable remuneration (includes payments from the performance pool in shares and cash) ■ Long-term variable remuneration (includes allocations of shares)

Explanatory notes to the table The remuneration for Gert De Winter covers the period from 1 January to 30 June 2023. Michael Müller took over as Group CEO with effect from 1 July 2023. Clemens Markstein became a member of the Corporate Executive Committee with effect from 1 July 2023. His remuneration covers the period from 1 July to 31 December 2023. For further information, see chapter 6.

2. Governance

Remuneration-related provisions in the Articles of Association

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

- the total amount of remuneration for the Board of Directors for the one-year term until the end of the next Annual General Meeting;
- the total amount of fixed remuneration for the Corporate Executive Committee for the next financial year;
- the maximum amount of variable remuneration payable to the Corporate Executive Committee for the next financial year.

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

- Mandatory share ownership rules for the Board of Directors (Article 20)
- Term of remuneration contracts (Article 29)
- Additional amount for the remuneration paid to Corporate Executive Committee members appointed since the last Annual General Meeting (Article 30)
- Principles of variable remuneration (Article 32)
- Activities for other companies (Article 33). For further information, see the corporate governance report, p. 36
- Loans and credit facilities (Article 34)

www.baloise.com/articles-of-association

Remuneration Committee of the Board of Directors

The Remuneration Committee is tasked with helping the Board of Directors to frame the Company's remuneration policy. It has been vested with special powers and ensures, among other things, that:

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

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

- submit proposals to the Board of Directors on the structure of remuneration in the Baloise Group;
- submit proposals to the Board of Directors – for approval by the Annual General Meeting – on the maximum amount of remuneration for the Chairman and members of the Board of Directors and for the members of the Corporate Executive Committee;
- approve the basic salaries and the variable remuneration paid to individual members of the Corporate Executive Committee (in compliance with the pay caps stipulated by the Annual General Meeting);
- specify the total amount available in the performance pool and the total amount set aside for the allocation of performance share units (PSUs);
- approve inducement payments and severance packages for senior managers that, in individual cases, exceed CHF 100,000 (subjectto the proviso that members of the Board of Directors or the Corporate Executive Committee may not be granted severance packages and may be granted an inducement payment only in order to offset a verifiable financial disadvantage).

The Remuneration Committee consists of at least three members of the Board of Directors, who are elected every year by the Annual General Meeting. Christoph Mäder (Chairman), Prof. Dr Hans-Jörg Schmidt-Trenz (Deputy Chairman), Christoph Gloor and Dr Karin Lenzlinger Diedenhofen were re-elected to the Remuneration Committee by the Annual General Meeting on 28 April 2023. The Remuneration Committee maintains a regular dialogue with senior management throughout the year and meets at least three times per year. In addition to the committee secretary being present, these meetings are usually also attended by the Group CEO and the Head of Group Human Resources, who participate in an advisory capacity. The Group CEO leaves the meeting when his personal remuneration is being discussed and decided. The Chairman of the Remuneration Committee reports to the Board of Directors at its next meeting on the committee's activities.

Approval structure

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

3. Remuneration principles

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

Competitiveness in the marketplace
Baloise aims to pay basic salaries that are broadly in line with the market, i. e. around the market median. Total remuneration should exceed the market median in the event of outstanding performance by the Company and outstanding individual performance. Baloise therefore regularly compares the salaries paid to its employees with those paid in the wider market in Switzerland and Europe. This involves taking part in benchmarking surveys conducted by Willis Towers Watson and Kienbaum. In 2021, Baloise participated in Willis Towers Watson's standard survey on executive compensation. As surveys of this type cover a wide spectrum of companies, the peer group used to benchmark the remuneration for the Corporate Executive Committee is broad-based and includes companies from outside the financial sector.

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

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

Fairness and transparency
In addition to the regular benchmarking of overall remuneration against the market, Baloise also aims to ensure that pay within the Company is fair when setting salary levels. Baloise applies the fair-pay principle that people who do the same job and have the same qualifications should be paid the same amount. Baloise carried out a wage equality analysis in Switzerland in 2013 and again in 2018. In both cases, differences in pay that could not be objectively explained were below the Swiss government's defined tolerance threshold of 5 per cent. A further wage equality analysis was conducted in 2021 in connection with the amended Swiss Gender Equality Act. Baloise received support from PwC with its EQUAL-SALARY method. The findings of the analysis confirmed that wage equality for women and men had been maintained at Baloise in accordance with the provisions of the Gender Equality Act. The findings were confirmed both by Ernst & Young and by Baloise's employee commission in an independent audit.

Baloise seeks to maintain fairness in remuneration at all times and to reduce, wherever possible, differences in pay that cannot be objectively explained. To this end, it uses internal fair pay analyses and pay structure assessments for both initial salary determinations and salary adjustments to ensure fair pay at Baloise.

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 also encourages managerial staff to align their long-term focus with the interests of stakeholders, particularly our shareholders. To this end, members of the top three tiers of management are awarded a significant portion of their variable remuneration in shares that are restricted for three years and exposed to market risk during this period. 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. However, this choice is limited for the most senior managers, for whom a mandatory sliding scale for share subscriptions applies. Members of the Corporate Executive Committee must receive at least 50 per cent of their short-term variable remuneration in the form of shares. 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. This mandatory purchase of shares ensures that, compared with the market as a whole, a significant proportion of the Corporate Executive Committee's remuneration is granted in the form of deferred shares. The expectation is that deferred shares make up 70 per cent of variable remuneration, which equates to 35 per cent of total remuneration. Excessive remuneration is prevented by means of clearly defined caps for the remuneration for the Board of Directors and the Corporate Executive Committee that are approved by the Annual General Meeting.

4. Remuneration system for the Board of Directors

The members of the Board of Directors receive fixed remuneration for their service as members of the board and its committees. The Chairman of the Board of Directors performs his various functions on a full-time basis, in return for which he is paid a fixed fee of CHF 1,300,000. He is not entitled to any variable remuneration. The tasks of the Chairman are described in more detail in the corporate governance report (pages 36 & 37).

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

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

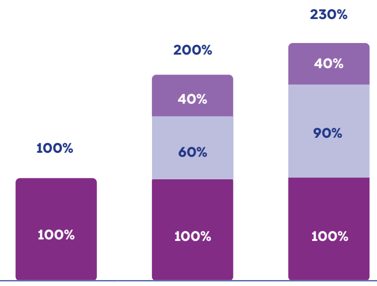
These amounts provide appropriate compensation for the responsibility and workload involved in their various functions and have not been raised since 2008.

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

	Relevant closing price	
	as at	CHF
Shares received by members of the Board of Directors 2023	01.06.2023	140.00
Shares received by members of the Board of Directors 2022	01.06.2022	161.70

5. Remuneration system for the Corporate Executive Committee

Remuneration structure



	Minimum remuneration	Expected value	Maximum remuneration
Basic salary	100%	100%	100%
Short-term variable remuneration (performance pool)	0%	60%	90%
Long-term variable remuneration (PSU, value at allocation)	0%	40%	40%

Mandatory share subscription	**At least 50 per cent of the short-term variable remuneration paid to members of the Corporate Executive Committee must be awarded in shares.**
Mandatory share ownership	**Members of the Corporate Executive Committee must hold shares equivalent to 200 per cent (300 per cent for the Group CEO) of their basic salary (within five years of taking office). For further information, see p. 60.**

2023 is the **final** year for which the remuneration structure set out in this illustration will apply. As previously mentioned, the expected values for short-term and long-term variable remuneration will change from the 2024 financial year. **The new expected value for short-term variable remuneration is 40 per cent (maximum allocation of 60 per cent) and the new expected value for long-term variable remuneration is 60 per cent.** The maximum amount of remuneration that can be allocated is thus being reduced to a total of 220 per cent. In line with the increase in the proportion of long-term variable remuneration, the mandatory proportion of short-term variable remuneration to be received in restricted shares will be reduced to 30 per cent (previously 50 per cent).

Basic salary
The basic salary constitutes the level of remuneration that is commensurate with the functions and responsibilities of the position concerned. A market comparison of basic salary is carried out periodically. Fair pay within the Baloise Group is also taken into consideration. The Baloise Group applies the fair-pay principle that people who do the same job and have the same qualifications should be paid the same amount.

Short-term variable remuneration: performance pool
Short-term variable remuneration is the reward for achieving annual targets. It is distributed from the performance pool, which is the total amount of short-term variable remuneration that is to be distributed. The aim of the performance pool is to reward members of the Corporate Executive Committee and other eligible employees in a measure that reflects the extent to which their achievements in the preceding year have contributed to achieving the Company's targets and satisfying the interests of our shareholders.

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

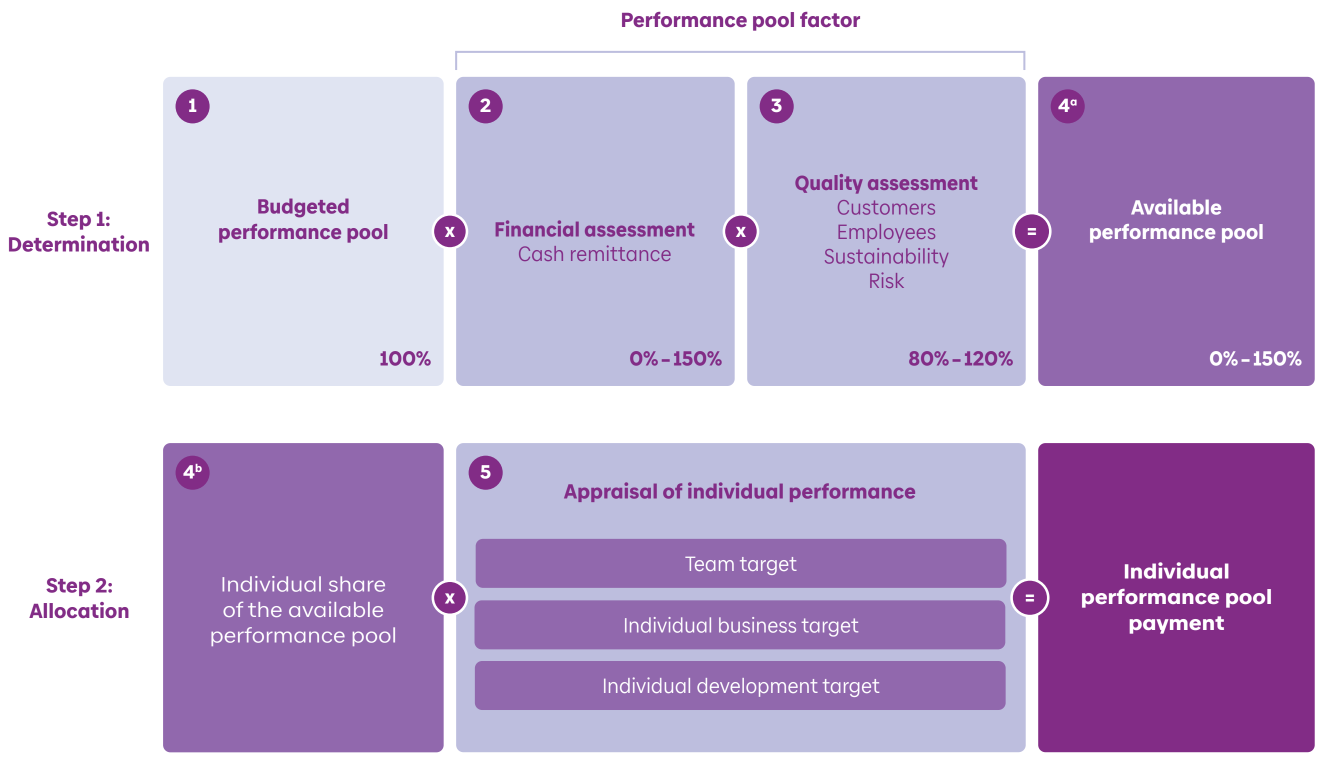
The variable remuneration paid to employees who perform control functions (Risk Management, Compliance, Group Internal Audit and the Appointed Actuary) is structured in such a way that it is not determined directly by the profitability of the unit being monitored or by the profitability of individual products or transactions. The Remuneration Committee reviews the remuneration paid to the heads of the control functions on an annual basis.

The Remuneration Committee decides on the short-term variable remuneration awarded to the individual members of the Corporate Executive Committee from the available performance pool based on their achievement of their individual targets. The achievement of the targets agreed for the Group CEO for the reporting year is assessed by the Chairman of the Board of Directors. The Group CEO assesses the target achievement of the other members of the Corporate Executive Committee. Based on the weighted average target achievement of each member of the Corporate Executive Committee, the Chairman of the Board of Directors and the Group CEO each submit a proposal for individual allocations of remuneration to the Remuneration Committee. The committee meets to discuss the material facts relating to each individual member of the Corporate Executive Committee and make a final decision on their target achievement in the reporting year and the remuneration to be awarded to them on this basis.

The targets set for the members of the Corporate Executive Committee comprise annual team targets and individual performance and development targets. Team targets are used to assess collaboration across business units and national subsidiaries, and across all functions and departments. The quantitative team targets measure the achievement of relevant Group-wide key figures, especially in relation to the business plan and strategic ambitions. By contrast, qualitative team targets focus more on processes than on outcomes, serving to assess collaboration and conduct. Individual performance targets relate to the contributions made to the group targets by individual members of the Corporate Executive Committee, while individual development targets are designed to advance the personal development of the members of the Corporate Executive Committee.

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

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



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

2 Financial assessment:
The financial assessment is based on the cash remittance to Baloise Holding Ltd. This key figure is one of Baloise's three strategic targets and forms the basis for enabling investors to share in the Company's success. The target achievement rate for the financial assessment is capped at 150 per cent.

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

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

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

Long-term variable remuneration: performance share units
The aim of long-term variable remuneration is to strengthen senior managers' loyalty to the Baloise Group and align the interests of senior management with the interests of our shareholders. Long-term variable remuneration is granted in the form of performance share units (PSUs). PSUs are prospective entitlements to shares. At the beginning of each vesting period, the participating employees are granted rights in the form of PSUs, which entitle them to receive a certain number of shares free of charge after the vesting period has elapsed. The Remuneration Committee specifies the grant date and applies its own discretion in deciding which senior managers are eligible to participate. It determines the total number of PSUs available and decides how many are to be awarded to each member of the Corporate Executive Committee.

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

Companies in the STOXX Europe 600 Insurance Index (as at 31 December 2023)

ADMIRAL GROUP	MUENCHENER RUECK
AEGON	NN GROUP
AGEAS	PHOENIX GROUP HOLDINGS
ALLIANZ	POSTE ITALIANE
ASR NEDERLAND	POWSZECHNY ZAKLAD UBEZPIECZEN
ASSICURAZIONI GENERALI	
AVIVA	PRUDENTIAL
AXA	SAMPO
BALOISE HOLDING	SCOR
BEAZLEY	STOREBRAND
DIRECT LINE INSURANCE GROUP	SWISS LIFE HOLDING
GJENSIDIGE FORSIKRING	SWISS RE
HANNOVER RUECK	TALANX
HELVETIA HOLDING	TOPDANMARK
HISCOX	TRYG
LEGAL & GENERAL GROUP	ZURICH INSURANCE GROUP

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

One PSU generally represents an entitlement to one Baloise share. This is the case if the Baloise TSR performs in line with the median of the peer group during the vesting period. In this scenario, the performance multiplier is 1.0. Participants receive more shares in exchange for their PSUs if the Baloise TSR for the vesting period is higher than the TSRs of the peer group. The multiplier reaches the maximum of 2.0 if Baloise has the highest TSR of all companies in the peer group.

The multiplier amounts to 0 if the Baloise TSR is in the bottom quartile of companies in the peer group. If this happens, no PSUs are converted into shares and the prospective entitlements expire. Consequently, the performance multiplier increases on a linear basis from the bottom quartile upwards from 0.5 to 2.0 (see page 67).

The performance multiplier is based on the closing stock market prices on the final trading day of the vesting period, taking account of dividends paid. Participants receive the pertinent number of shares once the three-year vesting period has elapsed.

Any outstanding entitlement to PSUs expires entirely in the event of a termination of employment during the vesting period due to poor performance or misconduct or if the person subsequently engages in any activities in competition with Baloise. In addition, the Remuneration Committee has the powers to claw back some or all of the PSUs allocated to an individual or to a group of participants if there are specific reasons for doing so (malus provision).

Three-year average for rTSR
Previously, rTSR was measured only at the end of the three-year vesting period. Due to the volatile nature of share prices, this reliance on one measurement at a single point in time reflects the effective performance of the management only to a limited extent. From the 2024 performance period, rTSR will thus be measured annually for all newly issued plans. The performance multiplier is determined based on an average of the percentile scores calculated for Baloise within its peer group. This approach reduces the level of randomness associated with a single measurement and links the assessment more clearly to the performance of the management over the relevant three-year period.

Two additional KPIs from 2025
From 2025, two new KPIs will be used alongside rTSR, meaning that long-term variable remuneration will be aligned with a total of three strategic objectives of Baloise going forward. The new KPIs are the combined ratio non-life, i.e. the sum of net claims incurred and costs relative to insurance revenue, and EBIT life, i.e. earnings before interest and taxes in the life insurance business.

These two key figures represent a significant proportion of Baloise's value creation and are therefore a good gauge of performance. Alongside rTSR, they facilitate a well-rounded performance assessment that ties long-term variable remuneration to the interests of our shareholders and the performance of senior management. The new KPIs will be introduced with the 2025 PSU plan.

This is because, against the backdrop of the transition to IFRS 17/9, the Company will first need to gain some experience with these key figures in order to be able to define sustainable long-term targets that link the performance of senior management to the payment of long-term variable remuneration in a logical and meaningful manner.

Share Subscription Plan

Members of the Corporate Executive Committee are obliged to receive at least half of their short-term variable remuneration in the form of shares. Through the Share Subscription Plan, they can subscribe to dividend-bearing shares with a closed period of a minimum of three years at a preferential price (10 per cent discount). The terms of the Share Subscription Plan are defined by the Remuneration Committee.

Mandatory share ownership rules for the Corporate Executive Committee

Each member of the Corporate Executive Committee is required to hold at least 200 per cent of their basic salary – or 300 per cent in the case of the Group CEO – in free float or restricted shares within a period of five years from the start of their term of office. Since 2023, awarded but as yet unvested PSUs are no longer being taken into account for the purposes of compliance with mandatory share ownership rules, because they have not been converted. This updated policy has been in effect since 2023 and its requirements must be met within a period of five years.

Reductions of variable remuneration (malus and clawback provisions)

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

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

All members of the Corporate Executive Committee have a notice period of twelve months. There are no change-of-control clauses. No severance packages may be awarded to members of the Corporate Executive Committee. Inducement payments are allowable only if they compensate for lost entitlement to remuneration. Any offsetting payments of this nature made at the start of an employment contract must be approved by the Remuneration Committee irrespective of the amount payable.

6. Remuneration for the reporting year

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

The Annual General Meeting held on 29 April 2022 approved an amount of CHF 3.4 million for the remuneration (including social security contributions and Share Subscription Plan discount) payable to the Board of Directors for 2023. The amount paid out was CHF 3.4 million.

Remuneration paid to the members of the Board of Directors

2023	Remuneration (cash)	Remuneration (shares incl. discount)	Social security contributions	Total remuneration
CHF thousand				
Dr Thomas von Planta	866.7	481.7	12.8	1,361.2
Chairman of the Board of Directors				
Christoph Mäder	221.3	81.9	6.3	309.5
Vice-Chairman of the Board of Directors				
Dr Maya Bundt	131.3	48.6	6.3	186.2
Claudia Dill (until 31 October 2023)	109.4	40.5	6.3	156.2
Christoph B. Gloor	178.8	66.2	6.3	251.3
Hugo Lasat	131.3	48.6	–	179.9
Dr Karin Lenzlinger Diedenhofen	131.3	48.6	6.3	186.2
Dr Markus R. Neuhaus	183.8	68.0	6.3	258.2
Prof. Dr Hans-Jörg Schmidt-Trenz	168.8	62.4	–	231.3
Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen	168.8	62.4	6.3	237.6
Total for the Board of Directors	**2,291.7**	**1,009.0**	**56.9**	**3,357.6**

Explanatory notes to the table
Remuneration in shares including discount A proportion of the contractually agreed overall remuneration is paid in shares, which remain restricted for three years. Shares are stated on the basis of the closing price on 1 June 2023 (CHF 140.00). Members of the Board of Directors receive a 10 per cent discount on the shares' market price under the Share Subscription Plan for the Board of Directors. This discount is reported in addition to the value of the shares.
Social security contributions The information disclosed for 2023 includes the contributions that the employer is required by law to pay into the state-run social security schemes (up to the pensionable or insurable threshold in each case). Statutory employer contributions are made to an occupational pension scheme for the Chairman of the Board of Directors, who works in this role on a full-time basis. No contributions to occupational pension schemes are made for the other members of the Board of Directors.

Remuneration paid to the members of the Board of Directors

2022	Remunera-tion (cash)	Remune-ration (shares incl. discount)	Social security contri-butions	Total remuneration
CHF thousand				
Dr Thomas von Planta	866.8	477.5	12.5	1,356.8
Chairman of the Board of Directors				
Christoph Mäder	191.3	70.2	6.2	267.7
Vice-Chairman of the Board of Directors				
Dr Maya Bundt (since 30 April 2022)	87.6	32.0	5.8	125.5
Claudia Dill (since 30 April 2022)	87.6	32.0	5.8	125.5
Christoph B. Gloor	168.8	61.9	6.2	236.9
Hugo Lasat	131.3	48.2	–	179.5
Dr Karin Lenzlinger Diedenhofen	131.3	48.2	6.2	185.7
Dr Markus R. Neuhaus	178.8	65.7	6.2	250.6
Prof. Dr Hans-Jörg Schmidt-Trenz	156.3	57.4	–	213.7
Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen	168.8	61.9	6.2	236.9
Dr Andreas Beerli (until 29 April 2022)[1]	73.8	27.0	–	100.8
Thomas Pleines (until 29 April 2022)	61.3	22.5	3.1	86.8
Total for the Board of Directors	**2,303.7**	**1,004.5**	**58.2**	**3,366.4**

1 Prior to 2012, newly elected members of the Board of Directors only received six months' pay in the first calendar year. Remuneration for the first two months following election to the Board of Directors (May and June) was only paid following their departure. Dr Beerli was elected in 2011 and thus received remuneration totalling CHF 42,099 following his departure as remuneration for his first two months in the role in 2011. Since 2012, newly elected members of the Board of Directors receive a fee for the full eight months of their first calendar year and in the year of their resignation they are paid for just four months.

Explanatory notes to the table
Remuneration in shares including discount A proportion of the contractually agreed overall remuneration is paid in shares, which remain restricted for three years. Shares are stated on the basis of the closing price on 1 June 2022 (CHF 161.70). Members of the Board of Directors receive a 10 per cent discount on the shares' market price under the Share Subscription Plan for the Board of Directors. This discount is reported in addition to the value of the shares.
Social security contributions The information disclosed for 2022 includes the contributions that the employer is required by law to pay into the state-run social security schemes (up to the pensionable or insurable threshold in each case). Statutory employer contributions are made to an occupational pension scheme for the Chairman of the Board of Directors, who works in this role on a full-time basis. No contributions to occupational pension schemes are made for the other members of the Board of Directors.

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

No remuneration on a non-arm's-length basis was paid to former members of the Board of Directors or companies or individuals who are related to members of the Board of Directors. Related parties are spouses or life partners; children under 18 years or dependent family members; companies owned or controlled by directors; individuals who act as trustees for them; children, relatives, companies and trustees of the spouse or life partner. No amounts receivable from current or former members of the Board of Directors or any of the aforementioned persons or companies have been waived. No remuneration was paid to former members of the Board of Directors.

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

Remuneration for 2023

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

Type of remuneration	Determined by
Fixed remuneration for 2023	2022 Annual General Meeting
Variable remuneration for 2023	
– cap	2023 Annual General Meeting
– individual payment	Remuneration Committee in February 2023 for long-term variable remuneration and in February 2024 for short-term variable remuneration (in compliance with the cap set by the 2023 Annual General Meeting)

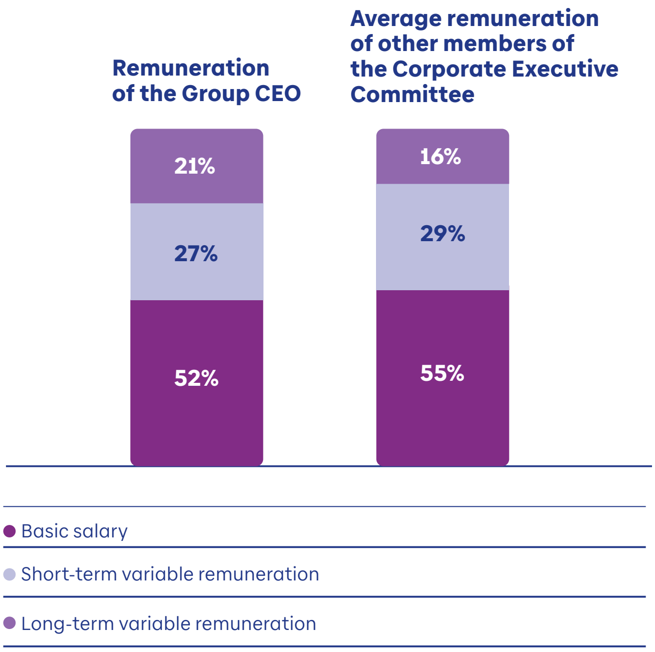
From 2023 onwards, variable remuneration is determined in advance for the following financial year (in line with the procedure for fixed remuneration).

The Annual General Meeting held on 29 April 2022 approved an amount of CHF 4.15 million for the fixed remuneration (including social security contributions) payable to the Corporate Executive Committee for 2023. The amount paid out was CHF 4.0 million. In addition, the Annual General Meeting held on 28 April 2023 approved a maximum amount of CHF 5.0 million for the variable remuneration (including social security contributions and discounted subscriptions under the Share Subscription Plan) payable for 2023. The total amount paid out was CHF 3.0 million.

On 1 March 2023, the performance share units allocated in 2020 were converted into shares as scheduled. These PSUs had a value of CHF 1.3 million at the time of allocation. The actual value of the shares granted was CHF 0.8 million.

The remuneration paid to the members of the Corporate Executive Committee for the 2023 and 2022 financial years is set out in the tables below. The disclosure is made in accordance with the accrual principle. The tables include all forms of remuneration awarded for performance in each financial year even if individual components are not paid until a later date.

Distribution of remuneration for 2023



Remuneration paid to the members of the Corporate Executive Committee

	Basic salary	Variable remuneration				Total basic salary plus variable remuneration	Variable remuneration as percentage of basic salary	Non-cash benefits	Social security contributions	Total remuneration
	Cash payment (fixed)	Cash payment (variable)	Share Subscription Plan	PSU (granted in 2023)	Total variable remuneration					
2023										
CHF thousand										
Gert De Winter	475.0	109.1	132.0	–	241.1	716.1	51 %	–	183.0	899.2
Group CEO (until 30 June 2023)										
Michael Müller	775.0	177.9	215.5	310.1	703.5	1,478.5	91 %	4.9	203.2	1,686.6
Head of Corporate Division Switzerland (until 30 June 2023) Group CEO (since 1 July 2023)										
Dr Alexander Bockelmann	600.0	91.9	259.5	240.1	591.5	1,191.5	99 %	–	184.0	1,375.5
Head of Corporate Division IT										
Dr Matthias Henny	550.0	0.0	305.9	220.0	526.0	1,076.0	96 %	4.9	190.9	1,271.8
Head of Corporate Division Asset Management										
Clemens Markstein[1]	275.0	63.2	76.5	45.6	185.2	460.2	67 %	4.9	98.6	563.6
Head of Corporate Division Switzerland (since 1 July 2023)										
Dr Carsten Stolz	550.0	126.3	152.9	220.0	499.2	1,049.2	91 %	4.9	210.9	1,265.0
Head of Corporate Division Finance										
Total for the Corporate Executive Committee	**3,225.0**	**568.5**	**1,142.3**	**1,035.8**	**2,746.6**	**5,971.6**	**85 %**	**19.5**	**1,070.6**	**7,061.7**

1 Remuneration for Clemens Markstein has been taken into account on a pro rata basis from 1 July 2023. The PSUs allocated to Clemens Markstein as at 1 March 2023 were also calculated on a pro rata basis from 1 July 2023 and were determined on the basis of the terms applicable before his move to the Corporate Executive Committee.

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 2023 even if individual components are not paid until a later date. Amounts are gross, before deduction of social security contributions, etc.
Share Subscription Plan Proportion of variable remuneration received directly as shares, which are valued at their market value as at 1 March 2024 = CHF 142.90.
PSUs Disclosure at the value as at the date of allocation (CHF 156.61), measured using a Monte Carlo simulation that calculates a present value for the payout expected at the end of the vesting period.
Non-cash benefits All remuneration elements required to be declared on the Swiss salary certificate, including long-service awards, taxable benefits relating to shares received in connection with the Employee Incentive Plan (maximum of 100 shares per annum).
Social security contributions These comprise the employer contributions to the state-run social security schemes and the occupational pension scheme (up to the pensionable or insurable threshold in each case). The members of the Corporate Executive Committee are insured under the pension scheme run by Baloise Insurance Ltd. They are subject to the same terms and conditions as all other insured office-based members of staff.

Remuneration paid to the members of the Corporate Executive Committee

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

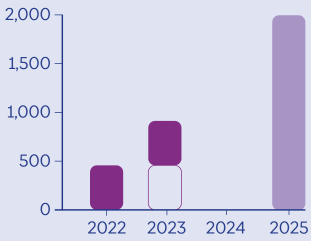
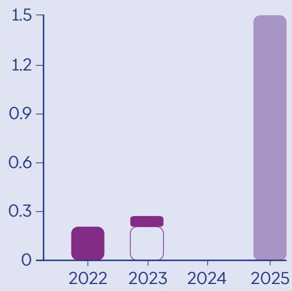
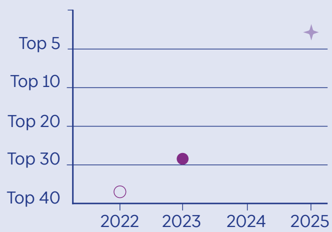
Explanatory notes to the table
Remuneration is disclosed in accordance with the accrual principle. The table includes all forms of remuneration awarded for performance in 2022 even if individual components are not paid until a later date. Amounts are gross, before deduction of social security contributions, etc.
Share Subscription Plan Proportion of variable remuneration received directly as shares, which are valued at their market value as at 1 March 2023 = CHF 156.20.
PSUs Disclosure at the value on the date of allocation (CHF 159.28), measured using a Monte Carlo simulation that calculates a present value for the payout expected at the end of the vesting period.
Non-cash benefits All remuneration elements required to be declared on the Swiss salary certificate, including long-service awards, taxable benefits relating to shares received in connection with the Employee Incentive Plan (maximum of 100 shares per annum).
Social security contributions These comprise the employer contributions to the state-run social security schemes and the occupational pension scheme (up to the pensionable or insurable threshold in each case). The members of the Corporate Executive Committee are insured under the pension scheme run by Baloise Insurance Ltd. They are subject to the same terms and conditions as all other insured office-based members of staff.

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

No remuneration on a non-arm's-length basis was paid to former members of the Corporate Executive Committee or companies or individuals who are related to members of the Corporate Executive Committee. Related parties are spouses or life partners; children under 18 years or dependent family members; companies owned or controlled by directors; individuals who act as trustees for them; children, relatives, companies and trustees of the spouse or life partner. No amounts receivable from current or former members of the Corporate Executive Committee or any of the aforementioned persons or companies have been waived.

Performance pool factor for 2023

For 2023,the Remuneration Committee set a factor of 85 per cent for the performance pool. The outcomes of the financial and quality assessments are explained in greater detail in the following.

Metrics	Targets 2022 – 2025	Results for 2023 / annual performance	Performance appraisal by the Remuneration Committee	Overall status
1 Financial assessment				**90 %**
Cash Remittance	CHF 2 billion	CHF 493 million 	In 2023, we generated cash remittance of CHF 493 million. This means that we remain well on track for our 2022–2025 strategy phase. Negative impacts on profit under local law due to extraordinary loss events were of set by one-of measures af ecting cash. The appraisal of target achievement takes account of this through a mark-down.	90 %
2 Quality assessment				**94 %**
Customers	1.5 million new customers	54,000 new customers 	The environment remains challenging. In 2023, customer growth fell short of our expectations as just 54,000 new customers were added. A narrowing of the focus of our innovation ef orts and stricter selection meant that our customer base grew less than anticipated. Additional measures to boost customer growth in the coming years are being developed.	
Employees	Top 5 % of all employers in Europe by the end of 2025	Top 29 % of all employers in Europe 	With regard to our employee target, we were able to achieve a positioning in the top 29 per cent in 2023. This represents an improvement compared with 2022. The Company's ambition is to rank among the top 5 per cent by 2025. This target has not been reached yet. A very low proportion of dissatisfied employees (3 per cent) and our relative progress show that our ef orts in this area are bearing fruit.	
Sustainability	Upper mid-level ranking in the indices published by MSCI and Sustainalytics, the SAM Score by S&P, and RepTrak	MSCI: AA 80th percentile Sustainalytics: 20.8 70th percentile SAM Score: 36 60th percentile RepTrak: 69.4	Baloise's reputation remained strong year on year despite the transition from the "Basler Versicherungen" brand to "Baloise" as a unified brand identity. The Group's ESG ratings also remained solid and did not change materially overall compared with 2022. We were able to maintain, and in some respects improve, our relative positioning in the market.	
Risk	Positive integral qualitative risk assessment	Overall assessment: good	Baloise's capital strength in terms of solvency remains stable. The Company is well capitalised and our S&P rating of A+ reflects Baloise's consistently strong valuation. The compliance score is satisfactory and has improved compared with 2022.	
1 x 2 = Performance pool factor for 2023				**85 %**

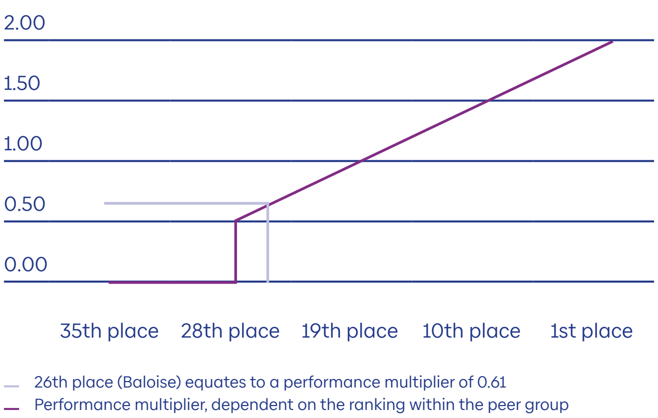
Assessment of the Corporate Executive Committee's performance in 2023

The team targets for the Corporate Executive Committee comprise quantitative and qualitative targets. Alongside the financial performance of the Group, the focus in 2023 was on the implementation of Simply Safe: Season 2. 2023 brought a whole host of unexpected developments that were addressed swiftly and systematically by the Corporate Executive Committee. The measures put in place are already proving effective and further steps are being prepared. But under the prevailing adverse conditions, the performance fell short of our expectations in various respects. Changes in the external environment led us to focus our innovation initiatives primarily on profitability rather than growth (at the expense of portfolio quality), which was reflected in a considerably lower number of new customers. Exceptional circumstances in respect of large claims, combined with the trajectory of interest rates, had an adverse impact on financial performance. Moreover, the performance of our share price was not satisfactory in 2023.However, cash generation was up by 5 per cent year on year.

PSUs for the period 2020 to 2023

During the calculation period, Baloise was ranked 26th out of the 35 insurance companies in the STOXX Europe 600 Insurance Index. The company ranked first is the one with the best TSR performance in the calculation period. Baloise's ranking equates to a performance multiplier of 0.61 (1st place = performance multiplier of 2; 28th place = performance multiplier of 0.5; 29th place to 35th place = performance multiplier of 0).

Range for the performance multiplier and Baloise's ranking during the 2020–2023 calculation period



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

This means that a person who was granted, for example, a prospective entitlement to 100 shares in 2020 will receive 61 shares upon conversion in 2023 based on the performance multiplier of 0.61.

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 tables below.

Completed PSU plans

	Price when granted (CHF)	Price when converted (CHF)	Performance multiplier	Value when converted (CHF)	Overall growth in value
2018–2021	149.20	158.90	1.22	193.85	30%
2019–2022	163.00	154.10	0.67	103.25	–37%
2020–2023	154.90	156.50	0.61	95.45	–38%

The table shows the PSU plans that expired in the past three years.

Current PSU plans

	Price when granted (CHF)	Interim valuation upon conversion (CHF)	Performance multiplier	Value when converted (CHF)	Overall growth in value
2021–2024	158.90	131.80	0.00	0.00	–100 %
2022–2025	154.10	131.80	0.00	0.00	–100 %
2023–2026	156.50	131.80	0.00	0.00	–100 %

The table shows the interim valuation of the three current PSU plans as at 31 December 2023.

The interim valuation of the current plans as at 31 December 2023 shows the value at which the PSUs would have been converted if the vesting period had ended on 31 December 2023.

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

Loans and credit facilities are offered at arm's-length market rates. 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 (but not negative interest rates) and at a preferential interest rate for fixed-rate mortgages.

There are no loans or credit facilities that were extended at non-arm's-length market rates to former members of the Board of Directors or the Corporate Executive Committee or to individuals or companies who are related to members of the Board of Directors or Corporate Executive Committee. Related parties are spouses or life partners; children under 18 years or dependent family members; companies owned or controlled by directors; individuals who act as trustees for them; children, relatives, companies and trustees of the spouse or life partner. There are no outstanding policy loans.

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

		Total
	2023	2022
CHF thousand		
Total for the Board of Directors	**–**	**–**
Corporate Executive Committee member with the highest outstanding loan:		
Dr Carsten Stolz	1,600.0	–
Head of Corporate Division Finance		
Dr Alexander Bockelmann	–	2,190.5
Head of Corporate Division IT		
Other members of the Corporate Executive Committee	2,963.4	3,786.7
Total for the Corporate Executive Committee	**4,563.4**	**5,977.2**

D. Shares and options held

Shares held by members of the Board of Directors (as at 31 December)

	Discretionary shares		Restricted shares		Total share ownership		Percentage of issued share capital	
	2023	2022	2023	2022	2023	2022	2023	2022
Quantity								
Dr Thomas von Planta	4,302	3,286	9,698	6,714	14,000	10,000	0.031 %	0.022%
Chairman								
Christoph Mäder	1,088	733	2,346	2,116	3,434	2,849	0.007%	0.006%
Vice-Chairman								
Dr Maya Bundt	0	0	1,545	1,198	1,545	1,198	0.003%	0.003%
Claudia Dill [1]	–	0	–	1,198	–	1,198	–	0.003%
Christoph B. Gloor	9,867	9,410	2,277	2,261	12,144	11,671	0.027%	0.025%
Hugo Lasat	1,379	1,024	1,972	1,980	3,351	3,004	0.007%	0.007%
Dr Karin Lenzlinger Diedenhofen	0	0	1,863	1,516	1,863	1,516	0.004%	0.003%
Dr Markus R. Neuhaus	355	0	2,282	2,151	2,637	2,151	0.006%	0.005%
Prof. Dr Hans-Jörg Schmidt-Trenz	693	338	2,128	2,037	2,821	2,375	0.006%	0.005%
Prof. Dr Marie-Noëlle Venturi - Zen-Ruffinen	1,481	1,024	2,250	2,261	3,731	3,285	0.008%	0.007%
Total for the Board of Directors	**19,165**	**15,815**	**26,361**	**23,432**	**45,526**	**39,247**	**0.099 %**	**0.086 %**
Percentage of issued share capital	0.042%	0.035%	0.058%	0.051 %	0.099%	0.086%		

1 Following the resignation of Claudia Dill from the Board of Directors with effect from 31 October 2023, her shareholdings are not included in the presentation of shareholdings as at the end of 2023.

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.
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)	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Quantity										
Gert De Winter[1]	–	32,073	–	6,139	–	38,212	–	0.083%	–	6,980
Group CEO (until 30 June 2023)										
Michael Müller	32,166	28,115	5,883	6,682	38,049	34,797	0.083%	0.076%	5,341	5,144
Head of Corporate Division Switzerland (until 30 June 2023) Group CEO (since 1 July 2023)										
Dr Alexander Bockelmann	3,928	880	16,278	21,856	20,206	22,736	0.044%	0.050%	4,414	4,409
Head of Corporate Division IT										
Dr Matthias Henny	10,577	13,522	15,588	20,975	26,165	34,497	0.057%	0.075%	3,806	3,674
Head of Corporate Division Asset Management										
Clemens Markstein	4,114	–	2,637	–	6,751	–	0.015%	–	1,710	–
Head of Corporate Division Switzerland (since 1 July 2023)										
Dr Carsten Stolz	2,019	2,290	3,456	3,247	5,475	5,537	0.012%	0.012%	3,806	3,674
Head of Corporate Division Finance										
Total for the members of the Corporate Executive Committee	**52,804**	**76,880**	**43,842**	**58,899**	**96,646**	**135,779**	**0.211%**	**0.296%**	**19,077**	**23,881**
Percentage of issued share capital	0.115 %	0.168 %	0.096%	0.129 %	0.211 %	0.296%				

1 Following the resignation of Gert De Winter from the Corporate Executive Committee with effect from 30 June 2023, his shareholdings are not included in the presentation of shareholdings as at the end of 2023.

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 2021, 1 March 2022 and 1 March 2023).

E. Total remuneration at the Baloise Group

As requested by circular 10/1 issued by the Swiss Financial Market Supervisory Authority on the subject of remuneration, Baloise has published the amounts of total remuneration and variable remuneration and has disclosed the total amounts of outstanding deferred remuneration and the inducement payments and severance packages granted. These figures in the table below include all forms of remuneration awarded for 2023even if individual components are not paid until a later date.

Total and variable remuneration in the Baloise Group

	Cash		Shares		Prospective entitlements		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
CHF million								
Total remuneration	849.7	822.4	3.2	5.2	4.7	5.4	857.6	833.0
Total variable remuneration (total pool)	150.8	153.1	3.2	5.2	4.7	5.4	158.7	163.7
Number of beneficiaries	5,858	5,814	176	276	68	78		
Total outstanding deferred remuneration	–	–	105.9	110.0	14.2	14.9	120.1	124.9
Debits/credits for remuneration for previous reporting periods recognised in profit or loss	0.3	-0.0	–	–	–	–	0.3	-0.0
Total inducement payments made	0.2	0.2	–	–	–	–	0.2	0.2
Number of beneficiaries	9	26	–	–	–	–		
Total severance payments made	5.1	3.1	–	–	–	–	5.1	3.1
Number of beneficiaries	87	56	–	–	–	–		

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

Appendix 2: Report of the statutory auditor to the Annual General Meeting of Baloise Holding Ltd, Basel

Please refer to the German version of the Baloise Annual Report 2023, page 72, for the report of the statutory auditor on the audit of the renumeration report. The auditor's opinion dated 22 March 2024 confirms compliance with Swiss law and the Company's articles of incorporation.

Please also refer to the disclosure on page 357 "Information on the Baloise Group" referencing the fact that only the German text of the annual report is legally binding.

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Financial Report

Consolidated income statement

CHF million	Note	2023	2022 (restated)[1]
Insurance revenue	3.1	5,412.4	5,339.6
Insurance service expenses	3.4.1f	–4,666.9	–4,678.4
Insurance service result from reinsurance contracts	3.5.1f	–151.8	–57.5
Insurance service result		**593.7**	**603.7**
Insurance finance income and expenses from insurance contracts	3.2	–2,833.2	6,343.0
Insurance finance income and expenses from reinsurance contracts	3.2	26.8	27.8
Insurance finance income and expenses		**–2,806.4**	**6,370.8**
Interest revenue calculated using the effective interest method	4.1	296.8	166.0
Investment income	4.1	970.6	994.9
Realised gains and losses on investments	4.1	2,555.4	–8,888.5
Change in expected credit loss	4.1	2.2	–9.8
Result from financial contracts	4.3.1	–842.7	1,490.5
Result from investments and financial contracts		**2,982.2**	**–6,246.8**
Income from services rendered	8.1	141.7	118.3
Other operating income	8.2	161.6	120.0
Other operating expenses		–691.7	–633.8
Share of profit (loss) of associates and joint ventures	10.2.3	–20.7	4.9
Profit and loss from owner-occupied properties FVPL	9.1	–16.0	29.3
Profit / loss before borrowing costs and taxes		**344.4**	**366.4**
Borrowing costs	5.1	–26.2	–22.4
Profit / loss before taxes		**318.2**	**343.9**
Income taxes	7.1	–81.9	–99.5
Profit / loss for the period		**236.2**	**244.5**
Profit attributable to:			
Shareholders		239.6	247.8
Non-controlling interests		–3.3	–3.4
Earnings / loss per share:	10.1		
Basic (CHF)		5.29	5.49
Diluted (CHF)		5.29	5.48

1 First-time adoption of IFRS 9 and IFRS 17.

Consolidated statement of comprehensive income

CHF million	Note	2023	2022 (restated)
Profit / loss for the period		**236.2**	**244.5**
Other comprehensive income			
Items not to be reclassified to the income statement			
Change in reserves arising from reclassification of investment property		0.1	0.0
Change in other reserves on associates and joint ventures		–	–
Change in reserves arising from assets and liabilities of post-employment benefits (defined benefit plans)		– 55.1	167.6
Change in other reserves on equity instruments at FVOCI		1.2	– 44.4
Total items not to be reclassified to the income statement	**9.5**	**– 53.7**	**123.3**
Items to be reclassified to the income statement			
Change in other reserves on associates and joint ventures		– 2.2	– 0.1
Change in hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation		77.2	– 10.5
Change in other reserves on debt investments at FVOCI		266.0	– 701.1
Change in other reserves on loans at FVOCI		22.6	– 76.1
Insurance finance income and expenses from insurance contracts		– 63.6	53.1
Insurance finance income and expenses from reinsurance contracts		– 0.5	25.1
Exchange differences of foreign operations		– 328.1	– 123.2
Total items to be reclassified to the income statement	**9.5**	**– 28.6**	**– 832.8**
Total other comprehensive income	**9.5**	**– 82.3**	**– 709.5**
Comprehensive income		**154.0**	**– 465.0**
Attributable to:			
Shareholders		157.4	– 460.8
Non-controlling interests		– 3.5	– 4.3

Consolidated balance sheet

	Note	31.12.2023	31.12.2022 (restated)	01.01.2022 (restated)
CHF million				
Assets				
Property, plant and equipment	9.1	636.1	594.6	560.0
Intangible assets	9.2	214.8	237.4	265.8
Investments in associates and joint ventures	10.2.3	318.1	344.7	316.0
Investment property	4.2.1	8,248.6	8,495.1	8,464.5
Financial instruments with characteristics of equity	4.2	14,932.9	16,276.7	19,172.6
Recognised at fair value through OCI (FVOCI)		336.7	611.6	903.6
Recognised at fair value through profit or loss (FVPL)		14,596.2	15,665.1	18,269.0
Financial instruments with characteristics of debt	4.2	32,153.4	31,264.6	38,216.3
Recognised at amortised cost (AC)		125.0	109.1	114.0
Recognised at fair value through OCI (FVOCI)		5,654.7	5,482.6	6,257.6
Recognised at fair value through profit or loss (FVPL)		26,373.7	25,672.9	31,844.6
Mortgages and loans	4.2	15,602.3	14,665.8	16,193.2
Recognised at amortised cost (AC)		10,138.4	8,933.5	7,735.5
Recognised at fair value through OCI (FVOCI)		555.0	583.4	694.9
Recognised at fair value through profit or loss (FVPL)		4,909.0	5,149.0	7,762.9
Derivative financial instruments	4.2	1,072.6	809.3	896.1
Insurance contract assets	3.4	68.4	43.0	–
Reinsurance contract assets	3.5	450.5	614.6	767.8
Receivables from employee benefits	6.1	6.3	7.3	5.9
Financial receivables	4.2	727.2	600.6	621.8
Deferred tax assets	7.3	207.1	239.3	177.6
Current income tax assets		57.7	65.3	66.7
Other assets	9.3	100.3	123.1	139.6
Cash and cash equivalents	4.2	2,985.3	3,370.8	4,073.5
Non-current assets and disposal groups classified as held for sale	10.2.5	91.1	242.4	–
Total assets		**77,872.8**	**77,994.6**	**89,937.2**

	Note	31.12.2023	31.12.2022 (restated)	01.01.2022 (restated)
CHF million				
Equity and liabilities				
Equity				
Share capital	9.4	4.6	4.6	4.6
Capital reserves		378.6	377.3	376.8
Treasury shares		–48.8	–71.6	–84.9
Other reserves	9.5	–1,892.6	–1,803.3	–1,067.2
Retained earnings		4,808.3	4,898.2	4,941.2
Equity before non-controlling interests		**3,250.0**	**3,405.2**	**4,170.6**
Non-controlling interests		9.3	12.2	14.2
Total equity		**3,259.3**	**3,417.4**	**4,184.7**
Liabilities				
Insurance contract liabilities	3.4	49,819.5	49,753.3	58,947.0
Reinsurance contract liabilities	3.5	2.5	67.5	–
Liabilities arising from financial contracts	4.3.2	19,936.3	19,839.7	21,878.8
Recognised at amortised cost (AC)		8,123.3	7,983.3	8,236.0
Recognised at fair value through profit or loss (FVPL)		11,813.1	11,856.5	13,642.9
Financial liabilities	5.2	2,391.3	2,609.4	2,425.7
Non-technical provisions	9.6	111.9	112.5	136.4
Derivative financial instruments	4.2.5	83.4	135.8	89.4
Liabilities arising from employee benefits	6.1	635.5	640.5	926.4
Deferred tax liabilities	7.3	419.4	380.6	468.1
Current income tax liabilities		56.5	29.9	39.3
Other liabilities and other financial liabilities		1,002.4	855.0	841.3
Liabilities included in non-current assets and disposal groups classified as held for sale	10.2.5	154.7	152.9	–
Total liabilities		**74,613.5**	**74,577.1**	**85,752.5**
Total equity and liabilities		**77,872.8**	**77,994.6**	**89,937.2**

Consolidated statement of changes in equity

2023	Share capital	Capital reserves	Treasury shares	Other reserves	Retained earnings	Equity before non-controlling interests	Non-controlling interests	Total equity
CHF million								
Balance as at 1 January	**4.6**	**377.3**	**-71.6**	**-1,803.3**	**4,898.2**	**3,405.2**	**12.2**	**3,417.4**
Profit/loss for the period	–	–	–	–	239.6	**239.6**	-3.3	**236.2**
Other comprehensive income	–	–	–	-82.2	–	**-82.2**	-0.1	**-82.3**
Comprehensive income	**–**	**–**	**–**	**-82.2**	**239.6**	**157.4**	**-3.5**	**154.0**
Other reserves transferred directly to retained earnings	–	–	–	-7.1	7.1	**–**	–	**–**
Dividend	–	–	–	–	-335.3	**-335.3**	-0.4	**-335.7**
Capital increase/repayment	–	–	–	–	–	**–**	–	**–**
Purchase of treasury shares	–	–	-33.3	–	–	**-33.3**	–	**-33.3**
Sale of treasury shares	–	25.5	28.7	–	–	**54.1**	–	**54.1**
Purchase and sale of options on treasury shares	–	0.1	–	–	–	**0.1**	–	**0.1**
Share-based payments	–	3.2	–	–	–	**3.2**	0.8	**4.0**
Allocation of treasury shares as part of share-based remuneration programmes	–	-27.4	27.4	–	–	**–**	–	**–**
Cancellation of (treasury) shares	–	–	–	–	–	**–**	–	**–**
Increase/decrease in non-controlling interests due to change in the scope of consolidation	–	–	–	–	0.3	**0.3**	-1.4	**-1.1**
Increase/decrease in non-controlling interests due to change in the percentage of shareholding	–	–	–	–	-1.6	**-1.6**	1.6	**–**
Balance as at 31 December	**4.6**	**378.6**	**-48.8**	**-1,892.6**	**4,808.3**	**3,250.0**	**9.3**	**3,259.3**

2022	Share capital	Capital reserves	Treasury shares	Other reserves	Retained earnings	Equity before non-controlling interests	Non-controlling interests	Total equity
CHF million								
Balance as at 1 January	**4.6**	**376.8**	**-84.9**	**178.9**	**6,809.7**	**7,285.1**	**14.8**	**7,299.9**
Initial application IFRS 9 (after taxes)	–	–	–	-1,758.6	2,844.9	**1,086.3**	0.1	**1,086.3**
Initial application IFRS 17 (after taxes)	–	–	–	512.6	-4,823.5	**-4,310.9**	-0.6	**-4,311.5**
Effects of restatement relating to IAS 16 as a result of the initial application of IFRS 17 (after taxes)	–	–	–	–	109.9	**109.9**	–	**109.9**
Balance as at 1 January (adjusted)	**4.6**	**376.8**	**-84.9**	**-1,067.2**	**4,941.2**	**4,170.6**	**14.2**	**4,184.7**
Profit/loss for the period	–	–	–	–	247.8	**247.8**	-3.4	**244.5**
Other comprehensive income	–	–	–	-708.6	–	**-708.6**	-0.9	**-709.5**
Comprehensive income	**–**	**–**	**–**	**-708.6**	**247.8**	**-460.8**	**-4.3**	**-465.0**
Other reserves transferred directly to retained earnings	–	–	–	-27.5	27.5	**–**	–	**–**
Dividend	–	–	–	–	-316.5	**-316.5**	-0.4	**-316.8**
Capital increase/repayment	–	–	–	–	–	**–**	–	**–**
Purchase of treasury shares	–	–	-42.2	–	–	**-42.2**	–	**-42.2**
Sale of treasury shares	–	25.1	29.1	–	–	**54.2**	–	**54.2**
Purchase and sale of options on treasury shares	–	-3.1	–	–	–	**-3.1**	–	**-3.1**
Share-based payments	–	4.9	–	–	–	**4.9**	1.1	**5.9**
Allocation of treasury shares as part of share-based remuneration programmes	–	-26.4	26.4	–	–	**–**	–	**–**
Cancellation of (treasury) shares	–	–	–	–	–	**–**	–	**–**
Increase/decrease in non-controlling interests due to change in the scope of consolidation	–	–	–	–	–	**–**	–	**–**
Increase/decrease in non-controlling interests due to change in the percentage of shareholding	–	–	–	–	-1.8	**-1.8**	1.8	**–**
Balance as at 31 December	**4.6**	**377.3**	**-71.6**	**-1,803.3**	**4,898.2**	**3,405.2**	**12.2**	**3,417.4**

Consolidated cash flow statement

CHF million	Note	2023	2022 (restated)
Cash flow from operating activities			
Profit before taxes		318.2	343.9
Adjustments for			
Depreciation, amortisation and impairment of property, plant and equipment and of intangible assets	8.3	76.0	79.1
Realised gains and losses on property, plant and equipment and on intangible assets		– 0.1	– 0.2
Share of profit (loss) of associates and joint ventures		20.7	– 4.9
Realised gains and losses on financial assets and investment property		– 2,555.4	8,888.5
Profit and loss from owner-occupied properties FV		16.0	– 29.3
Change in expected credit loss		– 2.2	9.8
Share-based payments		4.0	5.9
Other non-cash income and expenses		– 36.4	14.0
Change in assets and liabilities from operating activities			
Insurance contract assets and liabilities		1,126.8	– 7,791.8
Reinsurance contract assets and liabilities		108.8	84.2
Liabilities arising from financial contracts		675.4	– 1,577.0
Financial receivables		– 164.5	18.1
Change in other assets and other liabilities		232.6	– 175.0
Change in operating assets and liabilities			
Purchase and sale of owner-occupied properties FV		– 2.9	– 0.5
Purchase and sale of investment property	4.2.1	269.6	– 50.3
Purchase and sale of financial instruments with characteristics of equity		1,589.7	283.4
Purchase and sale of financial instruments with characteristics of debt		– 270.8	– 946.7
Addition and disposal of mortgages and loans		– 892.0	359.9
Addition and disposal of derivative financial instruments		– 8.4	154.2
Borrowing costs	5.1	26.2	22.4
Taxes paid		– 35.9	– 75.6
Cash flow from operating activities		**495.5**	**– 388.0**
Cash flow from investing activities			
Purchase of property, plant and equipment	9.1	– 16.2	– 12.8
Sale of property, plant and equipment		0.6	4.0
Purchase of intangible assets	9.2	– 40.1	– 31.3
Sale of intangible assets		2.2	0.7
Acquisition of companies, net of cash and cash equivalents		– 145.8	–
Disposal of companies, net of cash and cash equivalents	10.2.1	16.0	–
Purchase of investments in associates and joint ventures		– 17.9	– 40.1
Sale of investments in associates and joint ventures		2.4	0.1
Dividends from associates and joint ventures		7.2	8.0
Cash flow from investing activities		**– 191.6**	**– 71.4**

CHF million	Note	2023	2022 (restated)
Cash flow from financing activities			
Additions to financial liabilities	5.2.1	549.9	534.7
Disposals of financial liabilities	5.2.1	–800.0	–350.0
Borrowing costs paid	5.2.1	–19.8	–20.9
Repayment of lease liabilities	5.2.2	–12.3	–12.1
Purchase of treasury shares		–33.3	–42.2
Sale of treasury shares		54.1	54.2
Purchase and sale of options on treasury shares		0.1	–3.1
Dividends attributable to non-controlling interests		–0.4	–0.4
Dividends paid		–335.3	–316.5
Cash flow from financing activities		**–596.9**	**–156.3**
Total cash flow		**–293.1**	**–615.8**
Cash and cash equivalents			
Balance as at 1 January		3,370.8	4,073.5
Change during the financial year		–293.1	–615.8
Reclassification to non-current assets and disposal groups classified as held for sale		–	–
Effect of changes in exchange rates on cash and cash equivalents		–92.5	–86.9
Balance as at 31 December		**2,985.3**	**3,370.8**
Breakdown of cash and cash equivalents at the balance sheet date			
Cash and bank balances		2,068.9	2,045.6
Cash equivalents		0.1	0.2
Cash and cash equivalents for the account and at the risk of customers and third parties		916.3	1,325.1
Balance as at 31 December		**2,985.3**	**3,370.8**
of which: restricted cash and cash equivalents		188.2	89.9
Supplemental disclosures on cash flow from operating activities			
Interest received		854.7	660.7
Dividends received		36.4	128.0
Interest paid		–25.8	–15.0

Notes to the consolidated annual financial statements

1. General comments

1.1 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 Baloise 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 the IFRS Accounting Standards, which comply with Swiss law. IFRS 4 deals with the recognition and disclosure of insurance and reinsurance contracts. The measurement of these contracts is based on local financial reporting standards.

All amounts shown in these consolidated annual financial statements are stated in millions of Swiss francs (CHF million) and have been rounded to one decimal place. Consequently, the sum total of amounts that have been rounded may in isolated cases differ from the rounded total shown in this report.

At its meeting on 22 March 2024 the Baloise 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 Baloise Holding Ltd.

1.2 Application of new financial reporting standards

1.2.1 Newly applied IFRS and interpretations

In May 2023, the IASB issued amendments to IAS 12 Income Taxes that grant a temporary exception to the requirement to recognise and disclose deferred tax assets and liabilities in connection with the pillar 2 international tax reforms (global minimum tax). The Baloise Group is applying this exception.

On 1 January 2023, the Baloise Group adopted the following standards with retrospective effect from 1 January 2022:

- IFRS 17 Insurance Contracts
- IFRS 9 Financial Instruments

The nature and extent of the material effects resulting from first-time adoption of these standards are summarised below.

First-time adoption of IFRS 17 and IFRS 9 also led to changes in the presentation of other financial information.

The newly applied IFRS 17 and IFRS 9 contain numerous technical terms that, in practice, are often used only in their abbreviated form. The Baloise Group uses the most common abbreviations, which are set out below:

List of abbreviations IFRS

Abbreviation	Original English term
AC	amortised cost
CF	cash flow
CSM	contractual service margin
CU	coverage unit
DAC	deferred acquisition costs
DPF	discretionary participation feature
EaD	exposure at default
ECL	expected credit loss
FRA	full retrospective approach
FCF	fulfilment cash flows
FV	fair value
FVA	fair value approach
FVOCI	fair value through OCI
FVPL	fair value through profit or loss
GIC	groups of insurance contracts
GMM	general measurement model
HTM	held to maturity
IACF	insurance acquisition cash flows
IFIE	insurance finance income or expenses
LaR	loans and receivables
LC	loss component
LGD	loss given default
LIC	liability for incurred claims
LRC	liability for remaining coverage
LORECO	loss recovery component
MRA	modified retrospective approach
OCI	other comprehensive income
PAA	premium allocation approach
PD	probability of default
PIC	portfolios of insurance contracts
POCI	purchased or originated credit-impaired
PVFCF	present value of future cash flows
RA	risk adjustment
SPPI	solely payments of principal and interest
VFA	variable fee approach

IFRS 17 Insurance Contracts

IFRS 17 establishes uniform principles, consistent with the principles in other IFRS, for the measurement, presentation and disclosure of insurance contracts and reinsurance contracts. This note provides an overview of the requirements in the standard. The details of the accounting policies applied by Baloise are described in note 12.1.

Measurement is based on projections of the net cash flows from the contracts assigned to groups of insurance contracts (GICs). The projections are updated on an ongoing basis. These cash flows are discounted using current, risk-congruent discount rates and carry a risk adjustment (RA) in order to reflect the price of taking on non-financial risk. If the initial measurement with the fulfilment cash flows (FCFs) calculated in this way yields a positive margin for the services still to be performed under the insurance contract and for the investment-related services, such margin is deferred within insurance contract liabilities as the contractual service margin (CSM) and is subsequently recognised in profit or loss over the remaining coverage period.

Assets and liabilities from insurance business are recognised separately, broken down into coverage underwritten by the Baloise Group itself (insurance contracts issued) and outward reinsurance (reinsurance contracts held). Furthermore, the disclosures for all types of insurance contract are broken down into the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). For a significant part of non-life insurance business, measurement of the LRC largely follows the previous approach and is based on the deferral of premiums not yet earned.

The revenue from insurance services and investment-related services generally arises from the change in the LRC, provided that these changes are not attributable to cash inflows from policyholders or financial effects and do not relate to the performance of services that are not covered by policyholders' premiums. The IFRS 17 model thus essentially follows the general revenue approach used in IFRS 15 Revenue from Contracts with Customers, and revenue is no longer reported directly on the basis of the receipt of premiums. Furthermore, the portion of the policyholder benefits that has to be granted regardless of the occurrence of an insured event (investment component) is eliminated from the income statement.

The revenue calculated in this way is set against the associated non-financial expenses actually incurred, which include the insurance services and all costs that are directly attributable to the insurance contracts. Regardless of the timing of payment, insurance acquisition cash flows are allocated on a systematic basis over the coverage period for recognition as revenue and at all times in the same amount for recognition as an expense. A longer-term deferral of insurance acquisition cash flows already paid, but not yet recognised as an expense, is carried out only if the insurance acquisition cash flows were paid for expected future renewals of existing contracts.

All financial effects from insurance contracts are reported separately, and IFRS 17 provides the option for portfolios of insurance contracts and reinsurance contracts to recognise the effects of changes to financial assumptions on the LRC and LIC in other comprehensive income (OCI). When contracts are derecognised from such portfolios, the related OCI components are recycled. Under IFRS 17, a concept similar to the shadow accounting previously used by the Baloise Group no longer exists.

If own shares of the Baloise Group or owner-occupied properties are among the underlying items that determine the policyholder benefits for certain contracts with participation features, these items are measured at FVPL in order to avoid any accounting mismatches that might otherwise arise.

The cash flows relating to certain policy loans are considered to be part of the insurance contract and are no longer recognised as separate financial instruments.

Transition

The Baloise Group introduced IFRS 17 retrospectively using the modified retrospective approach (MRA) and the fair value approach (FVA) for certain portfolios and certain aspects of classification, grouping and measurement.

A detailed description of the rules governing the measurement, recognition and disclosure of all contracts within the scope of IFRS 17 can be found in note 12.1.

In life insurance, the Baloise Group measured all of its business existing on the transition date to IFRS 17 (1 January 2022) on a fully retrospective basis for the longest period of time feasible with respect to data availability for each business unit. In this context, fully retrospective measurement refers to treating the contracts as if IFRS 17 had been applicable during this entire period of time. For contracts dating further back, effects from prior periods were measured using either the modified retrospective approach or the fair value approach, also predominantly depending on data availability.

In the non-life insurance business, Baloise applies the fully retrospective approach almost exclusively. The modified retrospective approach was used to calculate the historical discounts only for liabilities for incurred claims from claims years that are a long way in the past.

Measurement of reinsurance contracts, for both life and non-life, uses the same approach as for gross business.

IFRS 9 Financial Instruments

After the temporary exemption from applying IFRS 9 ended, the Baloise Group applied IFRS 9 Financial Instruments with effect from 1 January 2023 with retrospective effect from 1 January 2022. IFRS 9 sets out accounting principles on the classification and measurement of financial instruments, the impairment of assets and hedge accounting.

Classification of a financial asset is based on the entity’s business model on the one hand and the characteristics of the contractual cash flows of the financial asset on the other. Previously, under IAS 39, credit losses were recognised only when the loss event occurred.

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

The figures for the prior-year period have been adjusted accordingly.

Recognition and measurement effects

Due to the classification criteria 'business model' and 'characteristics of the contractual cash flows' (satisfaction of the criteria for the SPPI test), the debt instruments that were classified as measured at amortised cost (AC) under IAS 39 continue to satisfy these criteria and are therefore still recognised at AC, provided they are not designated as at FVPL in the life insurance business. Similarly, the debt instruments that were classified as available for sale (AFS) under IAS 39 are measured at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVPL) under IFRS 9. The debt instruments that were previously measured at fair value through profit or loss under IAS 39 continue to be measured at fair value through profit or loss (FVPL) under IFRS 9.

The equity instruments that were classified as available for sale (AFS) under IAS 39 are measured either at fair value through profit or loss (FVPL) or, in the case of equities in the non-life business, at fair value through other comprehensive income (FVOCI) under IFRS 9.

The gains and losses resulting from the fair value measurement of these transferred equity instruments that were previously recognised in other comprehensive income were reclassified to retained earnings as at 1 January 2022.

The following tables show the impact of first-time adoption of IFRS 9 on the carrying amounts as at 1 January 2022:

		Carrying amount IAS 39			Carrying amount IFRS 9
	IAS 39 category	31.12.2021	Reclassi-fication	Remea-surement	01.01.2022
CHF million					
Assets					
Financial instruments with characteristics of equity	AFS	913.6	-10.0	–	903.6
Financial instruments with characteristics of debt	AFS	5,905.6	-100.1	0.3	5,805.8
Financial instruments with characteristics of debt	HTM	399.2	–	52.6	451.9
Mortgages and loans	LaR	678.5	–	16.4	694.9
Total financial instruments FVOCI		**7,897.0**	**-110.1**	**69.3**	**7,856.1**
Financial instruments with characteristics of equity	AFS	3,768.1	10.6	–	3,778.7
Financial instruments with characteristics of equity	FVPL	14,490.3	–	–	14,490.3
Financial instruments with characteristics of debt	AFS	22,597.3	99.5	–	22,696.7
Financial instruments with characteristics of debt	FVPL	2,083.2	–	–	2,083.2
Financial instruments with characteristics of debt	HTM	5,862.3	–	1,202.7	7,064.9
Mortgages and loans	LaR	6,677.6	-128.2	232.2	6,781.5
Mortgages and loans	FVPL	981.5	-0.1	–	981.4
Derivative financial instruments	FVPL	902.1	-6.0	–	896.1
Total financial instruments FVPL		**57,362.2**	**-24.2**	**1,434.8**	**58,772.8**
Financial instruments with characteristics of debt	HTM	114.0	–	–	114.0
Mortgages and loans	LaR	7,761.4	-24.2	-1.7	7,735.5
Financial receivables	LaR	606.2	15.6	–	621.8
Cash and cash equivalents	LaR	4,073.5	–	–	4,073.5
Total financial instruments AC		**12,555.1**	**-8.6**	**-1.7**	**12,544.8**
Total financial instruments		**77,814.3**	**-142.9**	**1,502.4**	**79,173.7**

CHF million	IAS 39 category	Carrying amount IAS 39 31.12.2021	Reclassi-fication	Remea-surement	Carrying amount IFRS 9 01.01.2022
Liabilities					
Liabilities arising from financial contracts	AC	8,189.7	-0.0	46.3	8,236.0
Financial liabilities	AC	2,425.7	0.0	0.0	2,425.7
Other liabilities and other financial liabilities	AC	803.4	37.9	0.0	841.3
Financial liabilities AC		**11,418.8**	**37.9**	**46.3**	**11,503.0**
Liabilities arising from financial contracts	FVPL	18,692.7	-3,925.3	-1,124.5	13,642.9
Derivative financial instruments	FVPL	89.8	-0.5	0.0	89.4
Total other financial liabilities FVPL		**18,782.5**	**-3,925.8**	**-1,124.5**	**13,732.2**
Total financial liabilities		**30,201.3**	**-3,887.9**	**-1,078.2**	**25,235.2**

Expected credit losses (ECLs)

The total amount of loss allowances is based mainly on the expected credit losses for mortgages and loans measured at AC. They are calculated using the expected credit loss model (ECL) in accordance with the provisions of IFRS 9. The difference between the impairment previously recognised under IAS 39 and the expected credit losses under IFRS 9 were recognised in equity (retained earnings) as at the transition date 1 January 2022.

The following table shows the reconciliation from IAS 39 to IFRS 9 on 1 January 2022 for the impairment of financial instruments:

CHF million	Impairment IAS 39 31.12.2021	Reclassi-fication	Remea-surement	Impairment IFRS 9 01.01.2022
Financial instruments with characteristics of debt FVOCI	**17.2**	**–**	**-8.0**	**9.1**
from AFS (IAS 39)	17.2	–	-8.0	9.1
from HTM (IAS 39)	–	–	0.0	0.0
Mortgages and loans FVOCI	**–**	**–**	**0.0**	**0.0**
from LaR (IAS 39)	–	–	0.0	0.0
Mortgages and loans AC	**24.7**	**–**	**-5.9**	**18.9**
from LaR (IAS 39)	24.7	–	-5.9	18.9
Financial receivables AC	**3.5**	**–**	**0.9**	**4.4**
from LaR (IAS 39)	3.5	–	0.9	4.4
Total	**45.4**	**–**	**-13.0**	**32.4**

Application of the new impairment model for financial instruments had a positive impact on retained earnings of CHF 44.2 million as at 1 January 2022. This includes impairment on FVOCI debt instruments amounting to CHF 9.1 million that was recognised through other comprehensive income.

Changes in the fair value of owner-occupied properties

In connection with the assignment of owner-occupied properties recognised under property, plant and equipment as underlying items for life insurance contracts measured using the VFA, these owner-occupied properties are now measured at FVPL. Previously, they were measured at amortised cost. This resulted in the remeasurement of owner-occupied properties from CHF 278.3 million to CHF 418.8 million. The remeasurement effect was recognised directly in retained earnings as at 1 January 2022.

Impact on retained earnings

CHF million	Retained earnings
Balance as at 31 December 2021	**6,809.7**
Remeasurement as a result of the initial application of IFRS 17	–5,949.0
Effects from the reclassification of financial assets (and liabilities) (incl. expected losses)	3,599.8
Effects from the reclassification of property, plant and equipment to FVPL under IAS 16	140.5
Deferred taxes as a result of the initial application of IFRS 17	1,125.5
Deferred taxes as a result of the initial application of IFRS 9	–754.9
Deferred taxes as a result of reclassification to FVPL under IAS 16	–30.6
Balance as at 1 January 2022	**4,941.2**

Impact on other comprehensive income

CHF million	Other comprehen-sive income
Balance as at 31 December 2021	**178.9**
Impact as a result of the initial application of IFRS 9	–2,191.7
of which: reclassification of financial instruments classified as available for sale (IAS 39)	–2,499.7
– Recognised at fair value through OCI (IFRS 9)	–180.4
– Recognised at fair value through profit or loss (IFRS 9)	–2,319.3
of which: derecognition of reserves from reclassification of held-to-maturity financial instruments (IAS 39)	–3.1
of which: unrealised gains and losses on financial instruments FVOCI (gross)	301.8
of which: expected loss on financial instruments with characteristics of debt at fair value through OCI	9.2
Deferred taxes due to the initial application of IFRS 9	433.1
Impact as a result of the initial application of IFRS 17	648.1
of which: derecognition of shadow accounting (IFRS 4)	821.9
of which: other reserve from insurance service expenses as a result of the initial application of IFRS 17	–173.8
Deferred taxes as a result of the initial application of IFRS 17	–135.5
Balance as at 1 January 2022	**–1,067.2**

1.2.2 IFRSs and interpretations not yet applied

The following new standards and interpretations relevant to the Baloise Group have been published by the IASB but have not yet come into effect, and have therefore not been applied in the 2023 consolidated annual financial statements:

Standard / Interpretation	Content	Applicable to annual periods beginning on or after:
IFRS 16	Lease Liability in a Sale and Leaseback	01.01.2024
IFRS 7, IAS 7	Supplier Finance Arrangements	01.01.2024
IAS 21	Lack of Exchangeability	01.01.2025

2. Segment information

The Baloise Group organises its operating activities into strategic business units, which are generally combined under a single management team for each region. The financial and management information needed for all relevant executive decisions is held by these strategic business units. This is also the organisational level at which the chief operating decision-makers are situated. Regardless of where they are headquartered, all Baloise Group entities are therefore assigned to one of the reportable segments

- Switzerland
- Germany
- Belgium
- Luxembourg

The “Luxembourg” segment also includes the Baloise Life Liechtenstein unit.

The “Group business” segment comprises the units engaged in intercompany reinsurance and financing, Group IT, the holding companies, the German hospital liability business, which was transferred to the Group’s run-off portfolio in 2018, and a portfolio of variable annuities products.

The revenue generated by the Baloise Group is broken down into the “Non-Life”, “Life”, “Asset Management & Banking” and “Other Activities” operating segments.

The Non-Life operating 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 operating segment provides individuals and companies with a wide range of endowment policies, term insurance, investment-linked products and private placement life insurance.

The Asset Management & Banking operating segment encompasses banking-related areas of asset management as well as the actual banking area.

The Other Activities operating segment includes equity investment companies, real estate firms and financing companies.

The accounting policies applied to the presentation of the segment reporting are those used throughout the 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.

2.1 Segment reporting by strategic business unit

	Switzerland		Germany		Belgium		Luxembourg	
	2023	2022	2023	2022	2023	2022	2023	2022
CHF million								
Insurance revenue	2,440.4	2,416.1	1,066.0	1,010.3	1,690.3	1,696.6	172.6	172.2
Insurance service expenses	-2,169.3	-2,071.3	-878.7	-891.1	-1,392.7	-1,577.6	-145.6	-129.8
Insurance service result from reinsurance contracts	-68.1	-68.7	-54.4	-37.1	-69.7	32.8	-3.5	-14.1
Insurance service result	**202.9**	**276.0**	**132.9**	**82.1**	**227.9**	**151.8**	**23.6**	**28.3**
Insurance finance income and expenses from insurance contracts	-1,651.6	2,935.6	-573.5	1,343.8	-517.7	1,788.1	-87.8	280.9
Insurance finance income and expenses from reinsurance contracts	2.0	0.4	7.0	22.9	17.1	10.1	5.5	-2.7
Insurance finance income and expenses	**-1,649.6**	**2,936.0**	**-566.5**	**1,366.7**	**-500.6**	**1,798.2**	**-82.3**	**278.1**
Interest revenue calculated using the effective interest method	224.6	132.1	23.3	15.1	54.6	24.8	5.6	2.9
Investment income	642.5	641.8	150.8	170.0	160.6	167.3	16.6	15.6
Realised gains and losses on investments	1,019.7	-3,692.8	411.1	-1,506.3	336.2	-2,004.0	803.5	-1,611.9
Change in expected credit loss	2.1	-9.8	0.1	0.7	0.0	-0.3	-0.1	-0.4
Result from financial contracts	-112.3	105.9	7.3	-10.8	-17.8	-3.0	-720.0	1,329.1
Result from investments and financial contracts	**1,776.5**	**-2,822.7**	**592.6**	**-1,331.2**	**533.7**	**-1,815.3**	**105.7**	**-264.6**
Income from services rendered	117.2	116.4	32.7	10.6	9.7	8.3	1.9	2.0
Other operating income	83.3	91.0	19.1	24.4	17.2	14.0	3.6	7.5
Other operating expenses	-328.8	-337.2	-122.6	-85.2	-175.5	-164.1	-34.3	-36.9
Share of profit (loss) of associates and joint ventures	-21.1	0.4	7.2	6.8	-0.6	-0.2	–	–
Profit and loss from owner-occupied properties FVPL	-14.3	29.9	-1.7	-0.6	–	–	–	–
Profit / loss before borrowing costs and taxes	**166.2**	**289.6**	**93.6**	**73.7**	**111.7**	**-7.2**	**18.2**	**14.4**
Income between segments	-39.6	-54.9	-16.6	-18.7	-11.5	-4.0	-3.0	-3.1
Borrowing costs	-7.4	-10.3	0.0	0.0	0.0	0.0	-0.4	0.0
Profit / loss before taxes	**158.9**	**279.4**	**93.6**	**73.6**	**111.7**	**-7.2**	**17.8**	**14.3**
Income taxes	-21.7	-42.3	-35.2	-22.8	-35.3	-5.8	-1.5	-1.2
Profit / loss for the period (segment result)	**137.2**	**237.1**	**58.4**	**50.8**	**76.4**	**-13.0**	**16.3**	**13.2**
Segment assets as at 31 December	43,508.0	43,481.0	9,978.5	10,248.5	11,358.6	11,684.3	12,675.4	12,456.0

	Sub-total		Group business		Eliminated		Total		
	2023	2022	2023	2022	2023	2022	2023	2022	CHF million
	5,369.3	5,295.2	205.8	173.3	-162.7	-128.9	5,412.4	5,339.6	Insurance revenue
	-4,586.4	-4,669.9	-207.2	-118.8	126.6	110.3	-4,666.9	-4,678.4	Insurance service expenses
	-195.6	-87.0	2.8	10.5	41.1	19.1	-151.8	-57.5	Insurance service result from reinsurance contracts
	587.3	**538.3**	**1.4**	**65.0**	**5.0**	**0.4**	**593.7**	**603.7**	**Insurance service result**
	-2,830.5	6,348.4	-9.8	5.2	7.1	-10.7	-2,833.2	6,343.0	Insurance finance income and expenses from insurance contracts
	31.6	30.6	2.9	-2.8	-7.7	-0.1	26.8	27.8	Insurance finance income and expenses from reinsurance contracts
	-2,798.9	**6,379.0**	**-6.9**	**2.5**	**-0.6**	**-10.7**	**-2,806.4**	**6,370.8**	**Insurance finance income and expenses**
	308.2	174.9	23.3	17.8	-34.7	-26.7	296.8	166.0	Interest revenue calculated using the effective interest method
	970.6	994.8	0.0	0.2	–	–	970.6	994.9	Investment income
	2,570.4	-8,815.0	-15.0	-73.5	–	–	2,555.4	-8,888.5	Realised gains and losses on investments
	2.1	-9.8	0.0	0.0	–	–	2.2	-9.8	Change in expected credit loss
	-842.9	1,421.3	-34.8	42.4	35.0	26.8	-842.7	1,490.5	Result from financial contracts
	3,008.4	**-6,233.8**	**-26.5**	**-13.2**	**0.3**	**0.1**	**2,982.2**	**-6,246.8**	**Result from investments and financial contracts**
	161.4	137.2	158.9	161.9	-178.7	-180.8	141.7	118.3	Income from services rendered
	123.1	136.8	72.7	20.8	-34.2	-37.5	161.6	120.0	Other operating income
	-661.1	-623.4	-238.7	-239.0	208.1	228.5	-691.7	-633.8	Other operating expenses
	-14.5	7.1	-6.3	-2.2	–	–	-20.7	4.9	Share of profit (loss) of associates and joint ventures
	-16.0	29.3	–	–	–	–	-16.0	29.3	Profit and loss from owner-occupied properties FVPL
	389.8	**370.5**	**-45.4**	**-4.1**	**–**	**–**	**344.4**	**366.4**	**Profit / loss before borrowing costs and taxes**
	-70.7	-80.7	-209.8	-197.2	280.5	277.9	–	–	Income between segments
	-7.7	-10.4	-18.5	-12.1	–	–	-26.2	-22.4	Borrowing costs
	382.0	**360.1**	**-63.8**	**-16.2**	**–**	**–**	**318.2**	**343.9**	**Profit / loss before taxes**
	-93.7	-72.1	11.8	-27.4	–	–	-81.9	-99.5	Income taxes
	288.3	**288.0**	**-52.0**	**-43.6**	**–**	**–**	**236.2**	**244.5**	**Profit / loss for the period (segment result)**
	77,520.6	77,869.9	2,419.5	2,453.4	-2,067.3	-2,328.7	77,872.8	77,994.6	Segment assets as at 31 December

2.2 Segment reporting by operating segment

	Non-Life		Life		Asset Management & Banking	
	2023	2022	2023	2022	2023	2022
CHF million						
Insurance revenue	4,020.8	3,944.5	1,399.4	1,403.1	–	–
Insurance service expenses	–3,555.4	–3,620.7	–1,118.9	–1,061.7	–	–
Insurance service result from reinsurance contracts	–143.4	–45.5	–8.8	–16.1	–	–
Insurance service result	**321.9**	**278.4**	**271.8**	**325.2**	**–**	**–**
Insurance finance income and expenses from insurance contracts	–104.3	–49.8	–2,729.0	6,391.9	–	–
Insurance finance income and expenses from reinsurance contracts	24.1	9.6	2.8	18.9	–	–
Insurance finance income and expenses	**–80.2**	**–40.2**	**–2,726.3**	**6,410.8**	**–**	**–**
Interest revenue calculated using the effective interest method	133.0	83.2	40.1	23.1	140.3	71.8
Investment income	64.0	72.2	905.5	909.2	0.5	12.8
Realised gains and losses on investments	–68.8	–34.3	2,597.8	–8,757.3	18.4	–43.1
Change in expected credit loss	0.1	–8.3	0.9	–1.2	1.1	–0.4
Result from financial contracts	–15.1	–14.4	–759.6	1,405.7	–69.0	29.4
Result from investments and financial contracts	**113.2**	**98.4**	**2,784.7**	**–6,420.5**	**91.4**	**70.4**
Income from services rendered	82.1	57.0	14.8	20.3	162.8	160.5
Other operating income	82.8	43.7	58.0	91.5	14.7	15.2
Other operating expenses	–383.4	–337.7	–197.9	–204.1	–186.5	–181.7
Share of profit (loss) of associates and joint ventures	–2.4	–0.2	–10.7	7.3	–0.1	0.0
Profit and loss from owner-occupied properties FVPL	–	–	–16.0	29.3	–	–
Profit / loss before borrowing costs and taxes	**134.0**	**99.4**	**178.5**	**259.8**	**82.3**	**64.4**
Borrowing costs	–0.5	–0.2	–7.3	–10.2	0.0	0.0
Profit / loss before taxes	**133.5**	**99.2**	**171.2**	**249.6**	**82.2**	**64.4**
Income taxes	–44.4	–32.6	–32.9	–51.4	–12.6	–10.0
Profit / loss for the period (segment result)	**89.1**	**66.5**	**138.4**	**198.1**	**69.6**	**54.4**

	Other activities		Eliminated		Total	
CHF million	2023	2022	2023	2022	2023	2022
Insurance revenue	–	–	-7.8	-8.0	5,412.4	5,339.6
Insurance service expenses	–	–	7.4	4.0	-4,666.9	-4,678.4
Insurance service result from reinsurance contracts	–	–	0.5	4.1	-151.8	-57.5
Insurance service result	**–**	**–**	**0.0**	**0.1**	**593.7**	**603.7**
Insurance finance income and expenses from insurance contracts	–	–	0.1	0.9	-2,833.2	6,343.0
Insurance finance income and expenses from reinsurance contracts	–	–	-0.1	-0.7	26.8	27.8
Insurance finance income and expenses	**–**	**–**	**0.0**	**0.2**	**-2,806.4**	**6,370.8**
Interest revenue calculated using the effective interest method	19.1	15.6	-35.6	-27.6	296.8	166.0
Investment income	0.5	0.8	–	–	970.6	994.9
Realised gains and losses on investments	8.0	-53.7	0.0	–	2,555.4	-8,888.5
Change in expected credit loss	0.0	0.0	–	–	2.2	-9.8
Result from financial contracts	-34.9	42.1	36.0	27.7	-842.7	1,490.5
Result from investments and financial contracts	**-7.4**	**4.8**	**0.3**	**0.1**	**2,982.2**	**-6,246.8**
Income from services rendered	150.7	151.2	-268.8	-270.8	141.7	118.3
Other operating income	47.4	13.5	-41.3	-43.8	161.6	120.0
Other operating expenses	-233.7	-224.6	309.8	314.2	-691.7	-633.8
Share of profit (loss) of associates and joint ventures	-7.5	-2.2	–	–	-20.7	4.9
Profit and loss from owner-occupied properties FVPL	–	–	–	–	-16.0	29.3
Profit / loss before borrowing costs and taxes	**-50.4**	**-57.2**	**–**	**–**	**344.4**	**366.4**
Borrowing costs	-18.4	-12.0	–	–	-26.2	-22.4
Profit / loss before taxes	**-68.8**	**-69.2**	**–**	**–**	**318.2**	**343.9**
Income taxes	7.9	-5.4	–	–	-81.9	-99.5
Profit / loss for the period (segment result)	**-60.8**	**-74.6**	**–**	**–**	**236.2**	**244.5**

3. Insurance business

3.1 Insurance revenue

CHF million	2023	2022
Insurance revenue from non-life contracts	**4,013.0**	**3,936.5**
Measured with PAA	4,013.0	3,936.5
Measured with GMM	–	–
Insurance revenue from life insurance contracts	**1,399.4**	**1,403.1**
Measured with VFA	1,255.9	1,218.4
Measured with GMM	143.5	184.6
Insurance revenue	**5,412.4**	**5,339.6**

3.1.1 Insurance revenue non-life

Insurance revenue from non-life contracts amounted to CHF 4,013.0 million (previous year: CHF 3,936.5 million) and was generated solely from contracts measured using the premium allocation approach.

3.1.2 Insurance revenue life

The following table shows revenue from life insurance contracts measured using the variable fee approach:

CHF million	2023	2022
Expected incurred claims and other expected insurance service expenses	1,102.3	1,139.1
Release risk adjustment for non-financial risk	3.0	2.2
Release CSM	224.3	253.8
Other	–226.6	–270.3
Change in the liability for remaining coverage	**1,103.0**	**1,124.7**
Recovery of insurance acquisition cash flows	152.9	93.7
Total insurance revenue from life insurance contracts (VFA)	**1,255.9**	**1,218.4**

The following table shows revenue from life insurance contracts measured using the general measurement model:

	2023	2022
CHF million		
Expected incurred claims and other expected insurance service expenses	111.0	112.0
Release risk adjustment for non-financial risk	6.3	– 7.1
Release CSM	28.0	48.6
Other	– 6.8	29.2
Change in the liability for remaining coverage	**138.5**	**182.7**
Recovery of insurance acquisition cash flows	5.1	2.0
Total insurance revenue from life insurance contracts (GMM)	**143.5**	**184.6**

3.1.3 Expected release of the contractual service margin for insurance contracts to profit or loss

The table below shows the expected release of the CSM to profit or loss for the individual portfolios according to the latest projection. In addition to the effect of the release, the CSM also changes due to the interest expected to be accreted on it. Such interest increases the CSM. The table shows the total combined change resulting from these two effects. Consequently, the table cannot be used to draw direct conclusions about future earnings.

			2023			2022
Life	**VFA**	**GMM**	**Total**	**VFA**	**GMM**	**Total**
CHF million						
< 5 years	789.8	104.5	**894.2**	696.2	111.7	**807.9**
6 – 10 years	784.8	82.0	**866.7**	772.6	97.1	**869.7**
11 – 15 years	671.3	83.9	**755.2**	742.5	101.1	**843.6**
16 – 20 years	537.7	74.3	**611.9**	619.6	93.7	**713.3**
> 20 years	1,572.3	164.3	**1,736.6**	1,920.1	237.3	**2,157.3**
Total	**4,355.8**	**509.0**	**4,864.8**	**4,750.9**	**640.9**	**5,391.8**

3.1.4 Expected release of the contractual service margin for reinsurance contracts to profit or loss

The table below shows the expected release of the CSM to profit or loss for the individual portfolios according to the latest projection. In addition to the effect of the release, the CSM also changes due to the interest expected to be accreted on it. Such interest increases the CSM. The table shows the total combined change resulting from these two effects. Consequently, the table cannot be used to draw direct conclusions about future earnings.

Life	**2023**	**2022**
CHF million		
< 5 years	– 24.5	19.3
6 – 10 years	– 19.3	– 14.5
11 – 15 years	– 37.5	– 31.9
16 – 20 years	– 52.5	– 49.8
> 20 years	– 249.6	– 256.8
Total	**– 383.3**	**– 333.7**

For the purpose of the above table, a CSM balance with a negative sign represents an asset and any release of such asset represents an expense.

3.2 Insurance finance income or expenses

The net finance income or expenses from insurance and reinsurance business relates as follows to the net investment income generated by the Baloise Group:

2023	Non-life	Life	Total
CHF million			
Comprehensive income from underlying items and other assets backing insurance contracts			
Result from investments	113.4	2,750.4	**2,863.9**
of which: interest revenue calculated using the effective interest method	118.1	21.3	**139.4**
of which: investment income	64.0	856.7	**920.8**
of which: realised gains and losses on investments	-68.8	1,872.3	**1,803.5**
of which: change in expected credit loss	0.1	0.0	**0.1**
Share of profit (loss) of associates and joint ventures	-2.4	2.2	**-0.3**
Gains and losses on owner-occupied properties FVPL	–	-16.0	**-16.0**
Result from other underlying items	–	-6.2	**-6.2**
Total return from underlying items and other assets backing insurance contracts	**111.0**	**2,730.5**	**2,841.5**
Gains and losses recognised in OCI	348.2	-99.2	**249.0**
Comprehensive income from underlying items and other assets backing insurance contracts	**459.2**	**2,631.2**	**3,090.4**
Insurance finance income or expenses from insurance contracts			
Change in fair value of underlying items	–	-2,126.2	**-2,126.2**
Interest accreted	-145.4	-242.0	**-387.4**
Effect of changes in interest rates and other financial assumptions	-180.5	-302.1	**-482.6**
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	–	48.4	**48.4**
Net foreign exchange effect	0.4	26.6	**26.9**
Insurance finance income or expenses from insurance contracts	**-325.6**	**-2,595.3**	**-2,920.9**
of which: recognised in profit or loss	-104.2	-2,729.0	**-2,833.2**
of which: recognised in other comprehensive income	-221.4	133.7	**-87.7**
Insurance finance income or expenses from reinsurance contracts			
Interest accreted	28.2	-3.9	**24.3**
Effect of changes in interest rates and other financial assumptions	5.2	-4.6	**0.6**
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	–	1.3	**1.3**
Net foreign exchange effect	3.2	-0.2	**3.1**
Insurance finance income or expenses from reinsurance contracts	**36.7**	**-7.4**	**29.3**
of which: recognised in profit or loss	24.1	2.7	**26.8**
of which: recognised in other comprehensive income	12.6	-10.1	**2.5**
Total	**170.3**	**28.5**	**198.8**
of which: recognised in profit or loss	30.9	4.2	**35.1**
of which: recognised in other comprehensive income	139.4	24.4	**163.7**

2022	Non-life	Life	Total
CHF million			
Comprehensive income from underlying items and other assets backing insurance contracts			
Result from investments	107.3	–6,456.7	**–6,349.4**
of which: interest revenue calculated using the effective interest method	77.6	3.9	**81.5**
of which: investment income	72.2	906.9	**979.1**
of which: realised gains and losses on investments	–34.3	–7,367.6	**–7,401.9**
of which: change in expected credit loss	–8.3	0.1	**–8.2**
Share of profit (loss) of associates and joint ventures	–0.2	1.6	**1.4**
Gains and losses on owner-occupied properties FVPL	–	29.3	**29.3**
Result from other underlying items	–	4.0	**4.0**
Total return from underlying items and other assets backing insurance contracts	**107.0**	**–6,421.8**	**–6,314.8**
Gains and losses recognised in OCI	–1,004.6	113.4	**–891.2**
Comprehensive income from underlying items and other assets backing insurance contracts	**–897.5**	**–6,308.4**	**–7,205.9**
Insurance finance income or expenses from insurance contracts			
Change in fair value of underlying items	–	4,287.1	**4,287.1**
Interest accreted	–9.6	–18.2	**–27.8**
Effect of changes in interest rates and other financial assumptions	442.7	1,643.1	**2,085.8**
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	–	49.4	**49.4**
Net foreign exchange effect	–3.6	19.9	**16.3**
Insurance finance income or expenses from insurance contracts	**429.5**	**5,981.3**	**6,410.8**
of which: recognised in profit or loss	–48.9	6,391.9	**6,343.0**
of which: recognised in other comprehensive income	478.5	–410.6	**67.9**
Insurance finance income or expenses from reinsurance contracts			
Interest accreted	0.3	1.1	**1.4**
Effect of changes in interest rates and other financial assumptions	–28.3	38.1	**9.8**
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	–	21.3	**21.3**
Net foreign exchange effect	6.7	–0.3	**6.4**
Insurance finance income or expenses from reinsurance contracts	**–21.3**	**60.2**	**38.9**
of which: recognised in profit or loss	9.6	18.2	**27.8**
of which: recognised in other comprehensive income	–30.9	42.1	**11.2**
Total	**–489.3**	**–266.9**	**–756.1**
of which: recognised in profit or loss	67.7	–11.7	**56.0**
of which: recognised in other comprehensive income	–557.0	–255.1	**–812.1**

3.3 Composition and fair values of underlying items

The following table shows the fair values of underlying items for life insurance contracts measured using the variable fee approach.

CHF million	31.12.2023	31.12.2022
Fair value of underlying items		
Investment property	6,286.7	6,590.4
Owner-occupied property (FVPL)	474.2	466.0
Investments[1]	179.5	310.9
Financial instruments with characteristics of equity	7,548.4	6,127.2
Financial instruments with characteristics of debt	15,837.5	17,039.2
Mortgages and loans	4,991.8	5,275.9
Derivative financial instruments	168.8	41.6
Other	846.1	437.5
Total underlying items	**36,332.8**	**36,288.7**

1 Directly held long-term equity investments and investments in associates and joint ventures

3.4 Insurance contract assets and liabilities

The insurance contract assets and liabilities consist of the following:

	Insurance contract assets		Insurance contract liabilities	
as at 31.12.	**2023**	**2022**	**2023**	**2022**
CHF million				
Non-life contracts (PAA)	68.4	43.0	6,166.0	6,107.2
of which: liability for remaining coverage	– 2.4	0.4	1,019.0	1,061.2
of which: liability for incurred claims	70.8	42.6	5,179.3	5,086.4
of which: deferred acquisition costs (DAC)	–	–	– 32.3	– 40.4
Non-life contracts (GMM)	0.0	–	1.1	0.7
Total non-life	**68.4**	**43.0**	**6,167.1**	**6,107.9**
Life contracts (VFA)	–	0.0	36,219.3	36,050.2
Life contracts (GMM)	–	0.0	7,433.1	7,595.2
Total life	**–**	**0.0**	**43,652.4**	**43,645.4**
Total insurance contract assets and liabilities	**68.4**	**43.0**	**49,819.5**	**49,753.3**

In the non-life insurance business, the Baloise Group anticipates the following changes over time in respect of the deferred insurance acquisition cash flows:

Non-Life	**2023**	**2022**
CHF million		
< 1 year	24.0	25.1
1 – 2 years	7.0	12.5
2 – 3 years	1.1	2.6
3 – 4 years	0.2	0.2
4 – 5 years	–	–
> 5 years	–	–
Total	**32.3**	**40.4**

In the life insurance business, no insurance acquisition cash flows were recognised as at 31 December 2023 or as at 31 December 2022.

3.4.1 Non-life – Insurance contracts measured using the premium allocation approach

Reconciliation for remaining coverage and claims already incurred:

	Liability for remaining coverage		Liability for incurred claims		Deferred acquisition costs	Total
2023	**Excluding loss component**	**Loss component**	**Present value of future cash flows**	**Risk adjustment**		
CHF million						
Insurance contract assets	0.4	–	42.2	0.4	–	**43.0**
Insurance contract liabilities	–995.1	–66.1	–4,905.6	–180.8	40.4	**–6,107.2**
Net balance as at 1 January	**–994.7**	**–66.1**	**–4,863.4**	**–180.4**	**40.4**	**–6,064.2**
Changes recognised in the statement of comprehensive income						
Insurance revenue	4,013.0	–	–	–	–	**4,013.0**
Insurance service expenses	–589.9	5.4	–2,972.3	13.6	–4.8	**–3,548.1**
of which: incurred claims and other incurred service expenses	–	72.9	–3,033.3	–59.1	–	**–3,019.5**
of which: adjustments to the liability for incurred claims	–	–	61.0	72.7	–	**133.7**
of which: losses and reversals of losses on onerous contracts	–	–67.5	–	–	–	**–67.5**
of which: amortisation of insurance acquisition cash flows	–589.9	–	–	–	–	**–589.9**
of which: impairment and reversal of impairment of deferred acquisition costs	–	–	–	–	–4.8	**–4.8**
Insurance service result from insurance contracts	**3,423.1**	**5.4**	**–2,972.3**	**13.6**	**–4.8**	**464.9**
Insurance finance income or expenses	–	–	–313.0	–12.7	–	**–325.7**
Exchange differences	24.1	1.1	189.4	6.5	–0.7	**220.2**
Changes recognised in the statement of comprehensive income	**3,447.1**	**6.5**	**–3,096.0**	**7.4**	**–5.6**	**359.5**
Premiums received	–4,030.2	–	–	–	–	**–4,030.2**
Claims and other insurance service expenses paid	–	–	3,010.4	–	–	**3,010.4**
Insurance acquisition cash flows paid	587.0	–	–	–	21.9	**608.9**
Other cash flows	4.5	–	–	–	–	**4.5**
Cash flows	**–3,438.7**	**–**	**3,010.4**	**–**	**21.9**	**–406.4**
Allocation from deferred acquisition costs to groups of insurance contracts	24.5	–	–	–	–24.5	**–**
Other movements	–	–	10.1	3.4	–	**13.5**
Net balance as at 31 December	**–961.8**	**–59.6**	**–4,938.9**	**–169.6**	**32.3**	**–6,097.6**
of which: insurance contract assets	–2.4	–	70.1	0.7	–	**68.4**
of which: insurance contract liabilities	–959.4	–59.6	–5,009.0	–170.3	32.3	**–6,166.0**

2022	Liability for remaining coverage		Liability for incurred claims		Deferred acquisition costs	Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment		
CHF million						
Insurance contract assets	–	–	–	–	–	**–**
Insurance contract liabilities	-1,091.2	-82.3	-5,546.0	-210.1	44.0	**-6,885.6**
Net balance as at 1 January	**-1,091.2**	**-82.3**	**-5,546.0**	**-210.1**	**44.0**	**-6,885.6**
Changes recognised in the statement of comprehensive income						
Insurance revenue	3,936.5	–	–	–	–	**3,936.5**
Insurance service expenses	-590.5	15.0	-3,024.6	-11.8	-4.7	**-3,616.7**
of which: incurred claims and other incurred service expenses	–	89.5	-2,928.4	-51.3	–	**-2,890.2**
of which: adjustments to the liability for incurred claims	–	–	-96.2	39.5	–	**-56.8**
of which: losses and reversals of losses on onerous contracts	–	-74.5	–	–	–	**-74.5**
of which: amortisation of insurance acquisition cash flows	-590.5	–	–	–	–	**-590.5**
of which: impairment and reversal of impairment of deferred acquisition costs	–	–	–	–	-4.7	**-4.7**
Insurance service result from insurance contracts	**3,346.0**	**15.0**	**-3,024.6**	**-11.8**	**-4.7**	**319.8**
Insurance finance income or expenses	–	–	414.9	14.6	–	**429.5**
Exchange differences	19.7	1.2	172.4	6.2	-0.6	**198.8**
Changes recognised in the statement of comprehensive income	**3,365.7**	**16.2**	**-2,437.4**	**9.0**	**-5.3**	**948.2**
Premiums received	-3,865.6	–	–	–	–	**-3,865.6**
Claims and other insurance service expenses paid	–	–	2,987.3	–	–	**2,987.3**
Insurance acquisition cash flows paid	570.5	–	–	–	25.1	**595.6**
Other cash flows	2.5	–	–	–	–	**2.5**
Cash flows	**-3,292.6**	**–**	**2,987.3**	**–**	**25.1**	**-280.2**
Allocation from deferred acquisition costs to groups of insurance contracts	23.4	–	–	–	-23.4	**–**
Other movements	–	–	132.7	20.7	–	**153.4**
Net balance as at 31 December	**-994.7**	**-66.1**	**-4,863.4**	**-180.4**	**40.4**	**-6,064.2**
of which: insurance contract assets	0.4	–	42.2	0.4	–	**43.0**
of which: insurance contract liabilities	-995.1	-66.1	-4,905.6	-180.8	40.4	**-6,107.2**

Claims settlement

										Accident year	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
CHF million											
Estimated undiscounted claims incurred (gross)											
At the end of the year in which the claims occurred					1,908.7	2,055.5	2,216.9	2,641.6	2,449.8	2,688.6	
One year later				1,852.3	1,997.2	2,098.6	2,217.7	2,680.1	2,508.5		
Two years later			1,786.8	1,870.9	1,996.3	2,080.1	2,250.8	2,621.6			
Three years later		1,735.6	1,800.9	1,863.8	1,980.5	2,077.6	2,235.7				
Four years later	1,770.5	1,744.1	1,813.2	1,855.4	1,991.9	2,050.3					
Five years later	1,768.1	1,750.0	1,800.6	1,856.7	1,960.0						
Six years later	1,769.8	1,724.4	1,810.3	1,831.4							
Seven years later	1,762.9	1,758.0	1,796.2								
Eight years later	1,756.2	1,725.8									
Nine years later	1,745.2										
Estimated claims incurred	1,745.2	1,725.8	1,796.2	1,831.4	1,960.0	2,050.3	2,235.7	2,621.6	2,508.5	2,688.6	21,163.3
Claims paid to date	1,622.0	1,579.3	1,631.9	1,645.0	1,756.5	1,842.2	1,927.3	2,240.6	1,889.5	1,177.8	17,312.3
Claims reserves (gross)	**123.2**	**146.5**	**164.3**	**186.4**	**203.5**	**208.1**	**308.4**	**381.0**	**619.0**	**1,510.8**	**3,851.0**
Gross liabilities more than 10 years old											1,990.4
Total claims reserves (gross)											**5,841.4**
Effect of discounting											–732.9
Present value of expected future claims payments (gross)											**5,108.5**
Reinsurance ceded											–347.1
Present value of expected future claims payments (net)											**4,761.4**

Baloise is not disclosing any previously unpublished information on claims that were incurred more than six years before the end of the reporting period in which IFRS 17 was applied for the first time.

3.4.2 Life – Insurance contracts measured using the variable fee approach

Reconciliation for remaining coverage and claims already incurred:

2023	Liability for remaining coverage – Excluding loss component	Liability for remaining coverage – Loss component	Liability for incurred claims	Total
CHF million				
Insurance contract assets	–	–	–	–
Insurance contract liabilities	–35,848.6	–3.2	–198.3	–36,050.2
Net balance as at 1 January	**–35,848.6**	**–3.2**	**–198.3**	**–36,050.2**
Changes recognised in the statement of comprehensive income				
Insurance revenue	1,255.9	–	–	1,255.9
of which: contracts under the modified retrospective approach	953.9	–	–	953.9
of which: contracts under the fair value approach	215.1	–	–	215.1
of which: other contracts	86.9	–	–	86.9
Insurance service expenses	–152.9	0.4	–862.1	–1,014.6
of which: incurred claims and other incurred service expenses	–	0.4	–862.1	–861.7
of which: adjustments to the liability for incurred claims	–	–	–	–
of which: losses and reversals of losses on onerous contracts	–	0.1	–	0.1
of which: amortisation of insurance acquisition cash flows	–152.9	–	–	–152.9
Investment components	3,153.9	–	–3,153.9	–
Insurance service result from insurance contracts	**4,256.9**	**0.4**	**–4,016.0**	**241.3**
Insurance finance income or expenses	–2,099.7	–	0.1	–2,099.6
Exchange differences	503.0	0.1	3.8	506.9
Changes recognised in the statement of comprehensive income	**2,660.2**	**0.5**	**–4,012.2**	**–1,351.5**
Premiums received	–2,964.8	–	–	–2,964.8
Claims and other insurance service expenses paid, incl. investment components	–	–	3,996.5	3,996.5
Insurance acquisition cash flows paid	149.6	–	–	149.6
Other cash flows	1.0	–	–	1.0
Cash flows	**–2,814.2**	**–**	**3,996.5**	**1,182.3**
Other movements	–	–	–	–
Net balance as at 31 December	**–36,002.6**	**–2.7**	**–213.9**	**–36,219.3**
of which: insurance contract assets	–	–	–	–
of which: insurance contract liabilities	–36,002.6	–2.7	–213.9	–36,219.3

2022	Liability for remaining coverage		Liability for incurred claims	Total
	Excluding loss component	Loss component		
CHF million				
Insurance contract assets	2.5	–	-1.0	**1.5**
Insurance contract liabilities	-42,031.6	-2.6	-186.4	**-42,220.5**
Net balance as at 1 January	**-42,029.1**	**-2.6**	**-187.3**	**-42,219.0**
Changes recognised in the statement of comprehensive income				
Insurance revenue	1,218.4	–	–	**1,218.4**
of which: contracts under the modified retrospective approach	990.6	–	–	**990.6**
of which: contracts under the fair value approach	176.9	–	–	**176.9**
of which: other contracts	50.9	–	–	**50.9**
Insurance service expenses	-93.7	-0.7	-855.5	**-949.9**
of which: incurred claims and other incurred service expenses	–	0.4	-855.5	**-855.1**
of which: adjustments to the liability for incurred claims	–	–	–	**–**
of which: losses and reversals of losses on onerous contracts	–	-1.1	–	**-1.1**
of which: amortisation of insurance acquisition cash flows	-93.7	–	–	**-93.7**
Investment components	3,359.6	–	-3,359.6	**–**
Insurance service result from insurance contracts	**4,484.4**	**-0.7**	**-4,215.1**	**268.6**
Insurance finance income or expenses	4,306.9	–	0.1	**4,307.0**
Exchange differences	466.1	0.1	3.0	**469.1**
Changes recognised in the statement of comprehensive income	**9,257.4**	**-0.6**	**-4,212.1**	**5,044.6**
Premiums received	-3,220.9	–	–	**-3,220.9**
Claims and other insurance service expenses paid, incl. investment components	–	–	4,201.1	**4,201.1**
Insurance acquisition cash flows paid	148.2	–	–	**148.2**
Other cash flows	-4.3	–	–	**-4.3**
Cash flows	**-3,076.9**	**–**	**4,201.1**	**1,124.2**
Other movements	–	–	–	**–**
Net balance as at 31 December	**-35,848.6**	**-3.2**	**-198.3**	**-36,050.2**
of which: insurance contract assets	–	–	–	**–**
of which: insurance contract liabilities	-35,848.6	-3.2	-198.3	**-36,050.2**

Reconciliation for measurement components:

2023	Present value of future cash flows	Risk adjustment	Contractual service margin			Total
			Modified retrospective approach	Fair value approach	Other	
CHF million						
Insurance contract assets	–	–	–	–	–	**–**
Insurance contract liabilities	– 31,188.0	– 111.3	– 3,421.4	– 618.8	– 710.7	**– 36,050.2**
Net balance as at 1 January	**– 31,188.0**	**– 111.3**	**– 3,421.4**	**– 618.8**	**– 710.7**	**– 36,050.2**
Changes that relate to current services	401.0	3.0	– 109.7	– 73.4	20.5	**241.3**
of which: CSM for the service provided in the period	–	–	– 109.7	– 73.4	20.5	**– 162.7**
of which: change in risk adjustment for non-financial risk	–	3.0	–	–	–	**3.0**
of which: experience adjustments	401.0	–	–	–	–	**401.0**
Changes that relate to future services	– 489.0	– 9.2	612.2	185.6	– 299.6	**0.0**
of which: contracts initially recognised in the period	101.9	– 3.5	–	–	– 98.8	**– 0.4**
of which: changes in estimates reflected in the CSM	– 591.3	– 5.7	612.2	185.6	– 200.7	**–**
of which: changes in estimates that relate to losses and reversals of losses	0.4	0.0	–	–	–	**0.4**
Changes that relate to past services	–	–	–	–	–	**–**
of which: changes in fulfilment cash flows relating to incurred claims	–	–	–	–	–	**–**
Insurance service result from insurance contracts	**– 88.0**	**– 6.3**	**502.5**	**112.2**	**– 279.1**	**241.3**
Insurance finance income or expenses	– 2,097.7	– 1.9	–	–	–	**– 2,099.6**
Exchange differences	445.5	1.8	14.2	19.0	26.4	**506.9**
Changes recognised in the statement of comprehensive income	**– 1,740.1**	**– 6.4**	**516.7**	**131.1**	**– 252.7**	**– 1,351.5**
Premiums received	– 2,964.8	–	–	–	–	**– 2,964.8**
Claims and other insurance service expenses paid, incl. investment components	3,996.5	–	–	–	–	**3,996.5**
Insurance acquisition cash flows paid	149.6	–	–	–	–	**149.6**
Other cash flows	1.0	–	–	–	–	**1.0**
Cash flows	**1,182.3**	**–**	**–**	**–**	**–**	**1,182.3**
Other movements	–	–	–	–	–	**–**
Net balance as at 31 December	**– 31,745.8**	**– 117.7**	**– 2,904.7**	**– 487.7**	**– 963.4**	**– 36,219.3**
of which: insurance contract assets	–	–	–	–	–	**–**
of which: insurance contract liabilities	– 31,745.8	– 117.7	– 2,904.7	– 487.7	– 963.4	**– 36,219.3**

2022	Present value of future cash flows	Risk adjustment	Contractual service margin			Total
			Modified retrospective approach	Fair value approach	Other	
CHF million						
Insurance contract assets	1.5	–	–	–	–	**1.5**
Insurance contract liabilities	-36,700.5	-113.3	-3,813.5	-855.6	-737.6	**-42,220.5**
Net balance as at 1 January	**-36,699.0**	**-113.3**	**-3,813.5**	**-855.6**	**-737.6**	**-42,219.0**
Changes that relate to current services	542.5	3.5	-193.9	-69.2	-11.8	**271.2**
of which: CSM for the service provided in the period	–	–	-193.9	-69.2	-11.8	**-274.9**
of which: change in risk adjustment for non-financial risk	–	3.5	–	–	–	**3.5**
of which: experience adjustments	542.5	–	–	–	–	**542.5**
Changes that relate to future services	-881.6	4.5	585.4	268.3	20.8	**-2.6**
of which: contracts initially recognised in the period	138.7	-11.9	–	–	-127.5	**-0.6**
of which: changes in estimates reflected in the CSM	-1,019.0	17.0	585.4	268.3	148.2	**–**
of which: changes in estimates that relate to losses and reversals of losses	-1.4	-0.6	–	–	–	**-2.0**
Changes that relate to past services	–	–	–	–	–	**–**
of which: changes in fulfilment cash flows relating to incurred claims	–	–	–	–	–	**–**
Insurance service result from insurance contracts	**-339.1**	**8.1**	**391.6**	**199.1**	**9.0**	**268.6**
Insurance finance income or expenses	4,314.5	-7.5	–	–	–	**4,307.0**
Exchange differences	411.5	1.5	0.5	37.7	18.0	**469.1**
Changes recognised in the statement of comprehensive income	**4,386.8**	**2.0**	**392.1**	**236.8**	**27.0**	**5,044.6**
Premiums received	-3,220.9	–	–	–	–	**-3,220.9**
Claims and other insurance service expenses paid, incl. investment components	4,201.1	–	–	–	–	**4,201.1**
Insurance acquisition cash flows paid	148.2	–	–	–	–	**148.2**
Other cash flows	-4.3	–	–	–	–	**-4.3**
Cash flows	**1,124.2**	**–**	**–**	**–**	**–**	**1,124.2**
Other movements	–	–	–	–	–	**–**
Net balance as at 31 December	**-31,188.0**	**-111.3**	**-3,421.4**	**-618.8**	**-710.7**	**-36,050.2**
of which: insurance contract assets	–	–	–	–	–	**–**
of which: insurance contract liabilities	-31,188.0	-111.3	-3,421.4	-618.8	-710.7	**-36,050.2**

Contracts recognised for the first time in the financial year, measured using the variable fee approach:

	31.12.2023			31.12.2022		
	Total insurance contracts	Of which: Contracts acquired	Of which: Onerous contracts	Total insurance contracts	Of which: Contracts acquired	Of which: Onerous contracts
CHF million						
Present value of future cash inflows	**-1,131.1**	–	-8.2	**-1,333.9**	–	-12.5
Present value of future cash outflows	**1,029.2**	–	8.5	**1,195.2**	–	13.0
of which: expected claims and insurance service expenses	**893.3**	–	8.0	**1,067.5**	–	12.2
of which: expected insurance acquisition cash flows	**135.9**	–	0.5	**127.7**	–	0.8
Risk adjustment for non-financial risk	**3.5**	–	0.1	**11.9**	–	0.1
Contractual service margin	**98.8**	–	–	**127.5**	–	–
Loss component recognised on initial recognition	**0.4**	–	0.4	**0.6**	–	0.6

3.4.3 Life – Insurance contracts measured using the general measurement model

Reconciliation for remaining coverage and claims already incurred:

	Liability for remaining coverage		Liability for incurred claims	Total
2023	Excluding loss component	Loss component		
CHF million				
Insurance contract assets	–	–	–	–
Insurance contract liabilities	–7,521.8	–18.2	–55.3	–7,595.2
Net balance as at 1 January	**–7,521.8**	**–18.2**	**–55.3**	**–7,595.2**
Changes recognised in the statement of comprehensive income				
Insurance revenue	143.5	–	–	143.5
of which: contracts under the modified retrospective approach	3.2	–	–	3.2
of which: contracts under the fair value approach	117.2	–	–	117.2
of which: other contracts	23.2	–	–	23.2
Insurance service expenses	–5.1	–0.8	–98.4	–104.3
of which: incurred claims and other incurred service expenses	–	0.8	–98.4	–97.6
of which: adjustments to the liability for incurred claims	–	–	–	–
of which: losses and reversals of losses on onerous contracts	–	–1.6	–	–1.6
of which: amortisation of insurance acquisition cash flows	–5.1	–	–	–5.1
Investment components	618.3	–	–618.3	–
Insurance service result from insurance contracts	**756.8**	**–0.8**	**–716.8**	**39.2**
Insurance finance income or expenses	–495.7	–	–	–495.7
Exchange differences	461.8	1.1	4.0	466.9
Changes recognised in the statement of comprehensive income	**722.9**	**0.4**	**–712.8**	**10.5**
Premiums received	–560.4	–	–	–560.4
Claims and other insurance service expenses paid, incl. investment components	–	–	700.6	700.6
Insurance acquisition cash flows paid	14.6	–	–	14.6
Other cash flows	–3.2	–	–	–3.2
Cash flows	**–549.0**	**–**	**700.6**	**151.6**
Other movements	–	–	–	–
Net balance as at 31 December	**–7,347.9**	**–17.9**	**–67.4**	**–7,433.1**
of which: insurance contract assets	–	–	–	–
of which: insurance contract liabilities	–7,347.9	–17.9	–67.4	–7,433.1

2022	Liability for remaining coverage: Excluding loss component	Liability for remaining coverage: Loss component	Liability for incurred claims	Total
CHF million				
Insurance contract assets	–	–	–	**–**
Insurance contract liabilities	–9,770.2	–11.0	–60.5	**–9,841.7**
Net balance as at 1 January	**–9,770.2**	**–11.0**	**–60.5**	**–9,841.7**
Changes recognised in the statement of comprehensive income				
Insurance revenue	184.6	–	–	**184.6**
of which: contracts under the modified retrospective approach	3.4	–	–	**3.4**
of which: contracts under the fair value approach	125.6	–	–	**125.6**
of which: other contracts	55.6	–	–	**55.6**
Insurance service expenses	–2.0	–7.8	–102.1	**–111.8**
of which: incurred claims and other incurred service expenses	–	1.0	–102.1	**–101.1**
of which: adjustments to the liability for incurred claims	–	–	–	**–**
of which: losses and reversals of losses on onerous contracts	–	–8.8	–	**–8.8**
of which: amortisation of insurance acquisition cash flows	–2.0	–	–	**–2.0**
Investment components	551.4	–	–551.4	**–**
Insurance service result from insurance contracts	**734.0**	**–7.8**	**–653.4**	**72.8**
Insurance finance income or expenses	1,674.3	–	–	**1,674.3**
Exchange differences	440.6	0.7	2.9	**444.1**
Changes recognised in the statement of comprehensive income	**2,848.9**	**–7.2**	**–650.5**	**2,191.2**
Premiums received	–608.1	–	–	**–608.1**
Claims and other insurance service expenses paid, incl. investment components	–	–	655.7	**655.7**
Insurance acquisition cash flows paid	10.6	–	–	**10.6**
Other cash flows	–3.0	–	–	**–3.0**
Cash flows	**–600.5**	**–**	**655.7**	**55.2**
Other movements	–	–	–	**–**
Net balance as at 31 December	**–7,521.8**	**–18.2**	**–55.3**	**–7,595.2**
of which: insurance contract assets	–	–	–	**–**
of which: insurance contract liabilities	–7,521.8	–18.2	–55.3	**–7,595.2**

Reconciliation for measurement components:

2023	Present value of future cash flows	Risk adjustment	Contractual service margin – Modified retrospective approach	Contractual service margin – Fair value approach	Contractual service margin – Other	Total
CHF million						
Insurance contract assets	–	–	–	–	–	–
Insurance contract liabilities	– 6,884.2	– 70.2	– 12.5	– 246.7	– 381.7	**– 7,595.2**
Net balance as at 1 January	**– 6,884.2**	**– 70.2**	**– 12.5**	**– 246.7**	**– 381.7**	**– 7,595.2**
Changes that relate to current services	232.7	6.6	0.9	– 170.6	– 28.7	**40.8**
of which: CSM for the service provided in the period	–	–	0.9	– 170.6	– 28.7	**– 198.4**
of which: change in risk adjustment for non-financial risk	–	6.6	–	–	–	**6.6**
of which: experience adjustments	232.7	–	–	–	–	**232.7**
Changes that relate to future services	– 288.9	– 13.1	0.4	181.3	118.7	**– 1.6**
of which: contracts initially recognised in the period	61.1	– 8.3	–	–	– 53.5	**– 0.7**
of which: changes in estimates reflected in the CSM	– 349.1	– 4.8	0.4	181.3	172.2	**–**
of which: changes in estimates that relate to losses and reversals of losses	– 0.9	0.0	–	–	–	**– 0.9**
Changes that relate to past services	–	–	–	–	–	**–**
of which: changes in fulfilment cash flows relating to incurred claims	–	–	–	–	–	**–**
Insurance service result from insurance contracts	**– 56.2**	**– 6.5**	**1.3**	**10.7**	**90.0**	**39.2**
Insurance finance income or expenses	– 478.9	– 12.9	– 0.2	– 1.3	– 2.4	**– 495.7**
Exchange differences	428.0	5.1	0.7	14.3	18.9	**466.9**
Changes recognised in the statement of comprehensive income	**– 107.1**	**– 14.4**	**1.8**	**23.7**	**106.4**	**10.5**
Premiums received	– 560.4	–	–	–	–	**– 560.4**
Claims and other insurance service expenses paid, incl. investment components	700.6	–	–	–	–	**700.6**
Insurance acquisition cash flows paid	14.6	–	–	–	–	**14.6**
Other cash flows	– 3.2	–	–	–	–	**– 3.2**
Cash flows	**151.6**	**–**	**–**	**–**	**–**	**151.6**
Other movements	–	–	–	–	–	**–**
Net balance as at 31 December	**– 6,839.6**	**– 84.6**	**– 10.7**	**– 223.0**	**– 275.3**	**– 7,433.1**
of which: insurance contract assets	–	–	–	–	–	**–**
of which: insurance contract liabilities	– 6,839.6	– 84.6	– 10.7	– 223.0	– 275.3	**– 7,433.1**

2022	Present value of future cash flows	Risk adjustment	Contractual service margin			Total
			Modified retrospective approach	Fair value approach	Other	
CHF million						
Insurance contract assets	–	–	–	–	–	**–**
Insurance contract liabilities	– 9,174.9	– 63.3	– 13.6	– 269.8	– 320.1	**– 9,841.7**
Net balance as at 1 January	**– 9,174.9**	**– 63.3**	**– 13.6**	**– 269.8**	**– 320.1**	**– 9,841.7**
Changes that relate to current services	303.6	– 7.2	0.8	– 227.3	11.7	**81.6**
of which: CSM for the service provided in the period	–	–	0.8	– 227.3	11.7	**– 214.8**
of which: change in risk adjustment for non-financial risk	–	– 7.2	–	–	–	**– 7.2**
of which: experience adjustments	303.6	–	–	–	–	**303.6**
Changes that relate to future services	– 179.4	19.6	– 0.2	240.0	– 88.8	**– 8.8**
of which: contracts initially recognised in the period	43.5	– 3.8	–	–	– 44.7	**– 5.0**
of which: changes in estimates reflected in the CSM	– 219.5	23.8	– 0.2	240.0	– 44.2	**–**
of which: changes in estimates that relate to losses and reversals of losses	– 3.5	– 0.4	–	–	–	**– 3.8**
Changes that relate to past services	–	–	–	–	–	**–**
of which: changes in fulfilment cash flows relating to incurred claims	–	–	–	–	–	**–**
Insurance service result from insurance contracts	**124.2**	**12.4**	**0.6**	**12.6**	**– 77.0**	**72.8**
Insurance finance income or expenses	1,700.7	– 22.5	– 0.2	– 2.4	– 1.4	**1,674.3**
Exchange differences	410.6	3.2	0.6	12.9	16.8	**444.1**
Changes recognised in the statement of comprehensive income	**2,235.5**	**– 6.8**	**1.1**	**23.1**	**– 61.6**	**2,191.2**
Premiums received	– 608.1	–	–	–	–	**– 608.1**
Claims and other insurance service expenses paid, incl. investment components	655.7	–	–	–	–	**655.7**
Insurance acquisition cash flows paid	10.6	–	–	–	–	**10.6**
Other cash flows	– 3.0	–	–	–	–	**– 3.0**
Cash flows	**55.2**	**–**	**–**	**–**	**–**	**55.2**
Other movements	–	–	–	–	–	**–**
Net balance as at 31 December	**– 6,884.2**	**– 70.2**	**– 12.5**	**– 246.7**	**– 381.7**	**– 7,595.2**
of which: insurance contract assets	–	–	–	–	–	**–**
of which: insurance contract liabilities	– 6,884.2	– 70.2	– 12.5	– 246.7	– 381.7	**– 7,595.2**

Contracts recognised for the first time in the financial year, measured using the general measurement model:

	31.12.2023			31.12.2022		
	Total insurance contracts	Of which: Contracts acquired	Of which: Onerous contracts	Total insurance contracts	Of which: Contracts acquired	Of which: Onerous contracts
CHF million						
Present value of future cash inflows	**-406.1**	–	-13.6	**-443.8**	–	-93.5
Present value of future cash outflows	**344.9**	–	14.1	**400.2**	–	98.8
of which: expected claims and insurance service expenses	**330.0**	–	12.9	**389.0**	–	96.3
of which: expected insurance acquisition cash flows	**15.0**	–	1.1	**11.3**	–	2.4
Risk adjustment for non-financial risk	**8.3**	–	0.1	**3.8**	–	-0.3
Contractual service margin	**53.5**	–	–	**44.7**	–	–
Loss component recognised on initial recognition	**0.7**	**–**	**0.7**	**5.0**	**–**	**5.0**

3.5 Reinsurance contract assets and liabilities

The reinsurance contract assets and liabilities consist of the following:

	Reinsurance contract assets		Reinsurance contract liabilities	
as at 31.12.	**2023**	**2022**	**2023**	**2022**
CHF million				
Non-life contracts (PAA)	346.5	493.0	2.2	67.5
Non-life contracts (GMM)	–	–	–	–
Total non-life	**346.5**	**493.0**	**2.2**	**67.5**
Life contracts (PAA)	19.2	20.6	–	–
Life contracts (GMM)	84.7	101.0	0.3	0.0
Total life	**103.9**	**121.6**	**0.3**	**0.0**
Total reinsurance contract assets and liabilities	**450.5**	**614.6**	**2.5**	**67.5**

3.5.1 Non-life reinsurance contracts held

Reinsurance contracts held, measured using the premium allocation approach

2023	Expected recovery (remaining coverage)	Expected recovery for incurred claims: Present value of future cash flows	Expected recovery for incurred claims: Risk adjustment	Total
CHF million				
Reinsurance contract assets	8.2	468.8	16.0	**493.0**
Reinsurance contract liabilities	–5.8	–64.8	3.2	**–67.5**
Net balance as at 1 January	**2.4**	**404.0**	**19.2**	**425.5**
Changes recognised in the statement of comprehensive income				
Allocation of reinsurance premium paid	–246.2	–	–	**–246.2**
Amounts recoverable from reinsurers	–3.7	121.0	–14.5	**102.7**
of which: recoveries of incurred claims and other insurance service expenses	–20.8	109.3	4.4	**93.0**
of which: changes of loss recovery component for losses on onerous insurance contracts	17.1	–	–	**17.1**
of which: adjustments to assets for incurred claims	–	11.6	–18.9	**–7.3**
of which: effect of changes in non-performance risk of reinsurers	–	0.0	0.0	**0.0**
Insurance service result from reinsurance contracts	**–249.8**	**121.0**	**–14.5**	**–143.4**
Insurance finance income or expenses	–	24.0	12.7	**36.7**
Exchange differences	0.2	–18.3	–0.9	**–19.1**
Changes recognised in the statement of comprehensive income	**–249.7**	**126.6**	**–2.8**	**–125.9**
Premiums paid to the reinsurer	244.9	–	–	**244.9**
Claims and other insurance service expenses reimbursed	–	–198.7	–	**–198.7**
Insurance acquisition cash flows paid (brokerage)	–0.2	–	–	**–0.2**
Other cash flows	–0.2	–	–	**–0.2**
Cash flows	**244.6**	**–198.7**	**–**	**45.8**
Other movements	–	–0.2	–1.0	**–1.2**
Net balance as at 31 December	**–2.7**	**331.6**	**15.4**	**344.3**
of which: reinsurance contract assets	1.0	329.2	16.4	**346.5**
of which: reinsurance contract liabilities	–3.7	2.5	–1.0	**–2.2**

2022	Expected recovery (remaining coverage)	Expected recovery for incurred claims		Total
		Present value of future cash flows	Risk adjustment	
CHF million				
Reinsurance contract assets	14.1	704.5	25.4	**743.9**
Reinsurance contract liabilities	-0.7	-35.7	0.2	**-36.2**
Net balance as at 1 January	**13.4**	**668.8**	**25.5**	**707.7**
Changes recognised in the statement of comprehensive income				
Allocation of reinsurance premium paid	-233.4	–	–	**-233.4**
Amounts recoverable from reinsurers	-3.3	194.7	-3.5	**187.9**
of which: recoveries of incurred claims and other insurance service expenses	0.7	160.0	4.6	**165.3**
of which: changes of loss recovery component for losses on onerous insurance contracts	-4.0	–	–	**-4.0**
of which: adjustments to assets for incurred claims	–	14.7	-8.6	**6.1**
of which: effect of changes in non-performance risk of reinsurers	–	19.9	0.5	**20.5**
Insurance service result from reinsurance contracts	**-236.6**	**194.7**	**-3.5**	**-45.5**
Insurance finance income or expenses	–	-20.7	-0.6	**-21.3**
Exchange differences	-0.4	-21.3	-1.0	**-22.6**
Changes recognised in the statement of comprehensive income	**-237.0**	**152.7**	**-5.0**	**-89.4**
Premiums paid to the reinsurer	226.5	–	–	**226.5**
Claims and other insurance service expenses reimbursed	–	-408.9	–	**-408.9**
Insurance acquisition cash flows paid (brokerage)	-0.5	–	–	**-0.5**
Other cash flows	0.0	–	–	**0.0**
Cash flows	**226.0**	**-408.9**	**–**	**-182.9**
Other movements	–	-8.6	-1.3	**-10.0**
Net balance as at 31 December	**2.4**	**404.0**	**19.2**	**425.5**
of which: reinsurance contract assets	8.2	468.8	16.0	**493.0**
of which: reinsurance contract liabilities	-5.8	-64.8	3.2	**-67.5**

3.5.2 Life reinsurance contracts held

Reinsurance contracts held, measured using the premium allocation approach

Reconciliation for remaining coverage and claims already incurred:

	Expected recovery (remaining coverage)	Expected recovery for incurred claims		Total
2023		**Present value of future cash flows**	**Risk adjustment**	
CHF million				
Reinsurance contract assets	0.4	20.2	–	**20.6**
Reinsurance contract liabilities	–	–	–	**–**
Net balance as at 1 January	**0.4**	**20.2**	**–**	**20.6**
Changes recognised in the statement of comprehensive income				
Allocation of reinsurance premium paid	–9.4	–	–	**–9.4**
Amounts recoverable from reinsurers	–	8.0	–	**8.0**
of which: recoveries of incurred claims and other insurance service expenses	–	1.5	–	**1.5**
of which: changes of loss recovery component for losses on onerous insurance contracts	–	–	–	**–**
of which: adjustments to assets for incurred claims	–	6.6	–	**6.6**
of which: effect of changes in non-performance risk of reinsurers	–	–	–	**–**
Insurance service result from reinsurance contracts	**–9.4**	**8.0**	**–**	**–1.3**
Insurance finance income or expenses	–	0.0	–	**0.0**
Exchange differences	–	–1.0	–	**–1.0**
Changes recognised in the statement of comprehensive income	**–9.4**	**7.1**	**–**	**–2.3**
Premiums paid to the reinsurer	9.1	–	–	**9.1**
Claims and other insurance service expenses reimbursed, incl. investment components	–	–8.2	–	**–8.2**
Insurance acquisition cash flows paid (brokerage)	–	–	–	**–**
Other cash flows	–	–	–	**–**
Cash flows	**9.1**	**–8.2**	**–**	**0.9**
Other movements	–	–	–	**–**
Net balance as at 31 December	**0.1**	**19.1**	**–**	**19.2**
of which: reinsurance contract assets	0.1	19.1	–	**19.2**
of which: reinsurance contract liabilities	–	–	–	**–**

2022	Expected recovery (remaining coverage)	Expected recovery for incurred claims: Present value of future cash flows	Expected recovery for incurred claims: Risk adjustment	Total
CHF million				
Reinsurance contract assets	-0.3	14.8	–	**14.5**
Reinsurance contract liabilities	–	–	–	**–**
Net balance as at 1 January	**-0.3**	**14.8**	**–**	**14.5**
Changes recognised in the statement of comprehensive income				
Allocation of reinsurance premium paid	-9.3	–	–	**-9.3**
Amounts recoverable from reinsurers	–	3.8	–	**3.8**
of which: recoveries of incurred claims and other insurance service expenses	–	5.0	–	**5.0**
of which: changes of loss recovery component for losses on onerous insurance contracts	–	–	–	**–**
of which: adjustments to assets for incurred claims	–	-1.2	–	**-1.2**
of which: effect of changes in non-performance risk of reinsurers	–	–	–	**–**
Insurance service result from reinsurance contracts	**-9.3**	**3.8**	**–**	**-5.5**
Insurance finance income or expenses	–	0.0	–	**0.0**
Exchange differences	–	-0.6	–	**-0.6**
Changes recognised in the statement of comprehensive income	**-9.3**	**3.2**	**–**	**-6.1**
Premiums paid to the reinsurer	10.0	–	–	**10.0**
Claims and other insurance service expenses reimbursed, incl. investment components	–	2.3	–	**2.3**
Insurance acquisition cash flows paid (brokerage)	–	–	–	**–**
Other cash flows	–	–	–	**–**
Cash flows	**10.0**	**2.3**	**–**	**12.2**
Other movements	–	–	–	**–**
Net balance as at 31 December	**0.4**	**20.2**	**–**	**20.6**
of which: reinsurance contract assets	0.4	20.2	–	**20.6**
of which: reinsurance contract liabilities	–	–	–	**–**

Reinsurance contracts held, measured using the general measurement model
Reconciliation for remaining coverage and claims already incurred:

2023	Expected recovery (remaining coverage)	Expected recovery for incurred claims	Total
CHF million			
Reinsurance contract assets	100.5	0.5	**101.0**
Reinsurance contract liabilities	–0.3	0.3	**0.0**
Net balance as at 1 January	**100.1**	**0.8**	**101.0**
Changes recognised in the statement of comprehensive income			
Allocation of reinsurance premium paid	–19.6	–	**–19.6**
Amounts recoverable from reinsurers	0.0	12.6	**12.6**
of which: recoveries of incurred claims and other insurance service expenses	0.0	12.6	**12.6**
of which: changes of loss recovery component for losses on onerous insurance contracts	–	–	**–**
of which: adjustments to assets for incurred claims	–	–	**–**
of which: effect of changes in non-performance risk of reinsurers	–	–	**–**
Investment components and premium refunds	–	–	**–**
Insurance service result from reinsurance contracts	**–19.6**	**12.6**	**–7.0**
Insurance finance income or expenses	–7.4	–	**–7.4**
Exchange differences	–5.3	0.0	**–5.3**
Changes recognised in the statement of comprehensive income	**–32.3**	**12.5**	**–19.7**
Premiums paid to the reinsurer	16.2	–	**16.2**
Claims and other insurance service expenses reimbursed, incl. investment components	–	–13.0	**–13.0**
Insurance acquisition cash flows paid (brokerage)	–	–	**–**
Other cash flows	–	–	**–**
Cash flows	**16.2**	**–13.0**	**3.2**
Other movements	–	–	**–**
Net balance as at 31 December	**84.1**	**0.4**	**84.4**
of which: reinsurance contract assets	84.4	0.4	**84.7**
of which: reinsurance contract liabilities	–0.3	–	**–0.3**

2022	Expected recovery (remaining coverage)	Expected recovery for incurred claims	Total
CHF million			
Reinsurance contract assets	47.8	0.3	**48.0**
Reinsurance contract liabilities	-2.5	0.0	**-2.4**
Net balance as at 1 January	**45.3**	**0.3**	**45.6**
Changes recognised in the statement of comprehensive income			
Allocation of reinsurance premium paid	-21.4	–	**-21.4**
Amounts recoverable from reinsurers	–	15.0	**15.0**
of which: recoveries of incurred claims and other insurance service expenses	0.0	15.0	**15.0**
of which: changes of loss recovery component for losses on onerous insurance contracts	0.0	–	**0.0**
of which: adjustments to assets for incurred claims	–	–	**–**
of which: effect of changes in non-performance risk of reinsurers	–	–	**–**
Investment components and premium refunds	–	–	**–**
Insurance service result from reinsurance contracts	**-21.4**	**15.0**	**-6.5**
Insurance finance income or expenses	60.2	–	**60.2**
Exchange differences	-3.0	0.0	**-3.0**
Changes recognised in the statement of comprehensive income	**35.8**	**14.9**	**50.8**
Premiums paid to the reinsurer	19.1	–	**19.1**
Claims and other insurance service expenses reimbursed, incl. investment components	–	-14.4	**-14.4**
Insurance acquisition cash flows paid (brokerage)	–	–	**–**
Other cash flows	–	–	**–**
Cash flows	**19.1**	**-14.4**	**4.6**
Other movements	–	–	**–**
Net balance as at 31 December	**100.1**	**0.8**	**101.0**
of which: reinsurance contract assets	100.5	0.5	**101.0**
of which: reinsurance contract liabilities	-0.3	0.3	**0.0**

Reconciliation for measurement components:

2023	Present value of future cash flows	Risk adjustment	Contractual service margin			Total
			Modified retrospective approach	Fair value approach	Other	
CHF million						
Reinsurance contract assets	-234.0	1.6	119.4	-0.2	214.2	**101.0**
Reinsurance contract liabilities	-0.3	0.0	–	0.1	0.2	**0.0**
Net balance as at 1 January	**-234.3**	**1.7**	**119.4**	**-0.2**	**214.4**	**101.0**
Changes that relate to current services	-1.3	0.0	-2.0	-0.4	-3.3	**-7.0**
of which: CSM related to the service received	–	–	-2.0	-0.4	-3.3	**-5.7**
of which: expected release of risk adjustment for non-financial risk	–	0.0	–	–	–	**0.0**
of which: experience adjustments	-1.3	–	–	–	–	**-1.3**
of which: effect of changes in non-performance risk of reinsurers	–	–	–	–	–	**–**
Changes that relate to future services	-76.5	0.4	-1.5	1.3	76.3	**–**
of which: contracts initially recognised in the period	–	–	–	–	–	**–**
of which: changes in estimates that adjust the CSM	-76.5	0.4	-1.5	1.3	76.3	**–**
of which: changes in estimates that relate to losses and reversals of losses of underlying contracts	–	–	–	–	–	**–**
Changes that relate to past services	–	–	–	–	–	**–**
of which: changes in fulfilment cash flows relating to incurred claims ceded to reinsurer	–	–	–	–	–	**–**
Insurance service result from reinsurance contracts	**-77.9**	**0.4**	**-3.5**	**0.9**	**73.0**	**-7.0**
Insurance finance income or expenses	-11.3	1.6	1.8	0.0	0.6	**-7.4**
Exchange differences	18.0	-0.2	-7.1	0.0	-16.1	**-5.3**
Changes recognised in the statement of comprehensive income	**-71.1**	**1.8**	**-8.7**	**0.9**	**57.5**	**-19.7**
Premiums paid to the reinsurer	16.2	–	–	–	–	**16.2**
Claims and other insurance service expenses reimbursed, incl. investment components	-13.0	–	–	–	–	**-13.0**
Insurance acquisition cash flows paid (brokerage)	–	–	–	–	–	**–**
Other cash flows	–	–	–	–	–	**–**
Cash flows	**3.2**	**–**	**–**	**–**	**–**	**3.2**
Other movements	–	–	–	–	–	**–**
Net balance as at 31 December	**-302.3**	**3.4**	**110.7**	**0.7**	**271.9**	**84.4**
of which: reinsurance contract assets	-301.8	3.4	110.7	0.9	271.6	**84.7**
of which: reinsurance contract liabilities	-0.5	0.0	–	-0.2	0.3	**-0.3**

2022	Present value of future cash flows	Risk adjustment	Contractual service margin			Total
			Modified retrospective approach	Fair value approach	Other	
CHF million						
Reinsurance contract assets	-160.3	1.7	124.5	–	82.2	**48.0**
Reinsurance contract liabilities	-2.4	0.0	–	–	–	**-2.4**
Net balance as at 1 January	**-162.8**	**1.7**	**124.5**	**–**	**82.2**	**45.6**
Changes that relate to current services	-0.9	0.1	-2.1	0.1	-3.7	**-6.5**
of which: CSM related to the service received	–	–	-2.1	0.1	-3.7	**-5.7**
of which: expected release of risk adjustment for non-financial risk	–	0.1	–	–	–	**0.1**
of which: experience adjustments	-0.9	–	–	–	–	**-0.9**
of which: effect of changes in non-performance risk of reinsurers	–	–	–	–	–	**–**
Changes that relate to future services	-145.1	1.7	1.7	-0.3	142.0	**0.0**
of which: contracts initially recognised in the period	-140.4	1.7	–	–	138.7	**0.0**
of which: changes in estimates that adjust the CSM	-4.7	0.1	1.7	-0.3	3.3	**–**
of which: changes in estimates that relate to losses and reversals of losses of underlying contracts	–	–	–	–	–	**–**
Changes that relate to past services	–	–	–	–	–	**–**
of which: changes in fulfilment cash flows relating to incurred claims ceded to reinsurer	–	–	–	–	–	**–**
Insurance service result from reinsurance contracts	**-146.0**	**1.8**	**-0.4**	**-0.2**	**138.3**	**-6.5**
Insurance finance income or expenses	60.3	-1.7	1.4	–	0.2	**60.2**
Exchange differences	9.5	-0.1	-6.0	0.0	-6.4	**-3.0**
Changes recognised in the statement of comprehensive income	**-76.2**	**0.0**	**-5.0**	**-0.2**	**132.2**	**50.8**
Premiums paid to the reinsurer	19.1	–	–	–	–	**19.1**
Claims and other insurance service expenses reimbursed, incl. investment components	-14.4	–	–	–	–	**-14.4**
Insurance acquisition cash flows paid (brokerage)	–	–	–	–	–	**–**
Other cash flows	–	–	–	–	–	**–**
Cash flows	**4.6**	**–**	**–**	**–**	**–**	**4.6**
Other movements	–	–	–	–	–	**–**
Net balance as at 31 December	**-234.3**	**1.7**	**119.4**	**-0.2**	**214.4**	**101.0**
of which: reinsurance contract assets	-234.0	1.6	119.4	-0.2	214.2	**101.0**
of which: reinsurance contract liabilities	-0.3	0.0	–	0.1	0.2	**0.0**

The following amounts were recognised for reinsurance contracts held that were recognised for the first time in the financial year:

	31.12.2023		31.12.2022	
	Total ceded reinsurance	Of which contracts acquired	Total ceded reinsurance	Of which contracts acquired
CHF million				
Present value of future cash outflows	–	–	333.5	–
Present value of future cash inflows	–	–	–193.1	–
of which: expected claims and insurance service expenses ceded to reinsurer	–	–	–193.1	–
of which: expected insurance acquisition cash flows (brokerage)	–	–	–	–
Risk adjustment for non-financial risk	–	–	–1.7	–
Contractual service margin	–	–	–138.7	–
Loss recovery component	–	–	0.0	–

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4. Investments and financial liabilities

Investments encompass both investment property and financial assets. Financial assets consist of financial instruments with characteristics of equity, financial instruments with characteristics of debt, mortgages, loans, derivatives (assets), cash and cash equivalents, and receivables.

Financial liabilities consist of liabilities arising from financial contracts, derivatives (liabilities) and other financial liabilities.

4.1 Comprehensive income on investments

	Own account and own risk		Account and risk of customers and third parties		Total	
	2023	2022	2023	2022	2023	2022
CHF million						
Investment return	2,686.8	– 5,679.5	1,138.2	– 2,057.9	3,825.0	– 7,737.3
Gains and losses recognised in other comprehensive income[1]	367.2	– 832.1	–	–	367.2	– 832.1
Comprehensive income on investments	**3,054.0**	**– 6,511.5**	**1,138.2**	**– 2,057.9**	**4,192.2**	**– 8,569.4**

1 After deduction of taxes.

A distinction is made between investments and financial liabilities for own account and at own risk on the one hand and investments and financial liabilities for the account and at the risk of customers and third parties on the other. Investments for the account and at the risk of customers and third parties are assets from premiums for unit-linked or investment-linked life insurance contracts in which policyholders themselves bear the investment risk in accordance with the investment objectives. Accordingly, and in contrast to investments for own account and at own risk, the Baloise Group has no rights in respect of these investments.

2023	Interest revenue calculated using the effective interest method	Investment income	Realised gains and losses	Change in expected credit loss	Investment return
CHF million					
Investment return					
Investment property	–	280.1	–72.0	–	**208.1**
Financial instruments with characteristics of equity	–	110.2	68.0	–	**178.2**
Recognised at fair value through OCI (FVOCI)	–	8.9	–	–	**8.9**
Recognised at fair value through profit or loss (FVPL)[1]	–	101.3	68.0	–	**169.3**
Financial instruments with characteristics of debt	107.3	479.0	1,153.4	0.5	**1,740.2**
Recognised at amortised cost (AC)	1.3	–	–	–	**1.3**
Recognised at fair value through OCI (FVOCI)	106.0	–	–90.8	0.5	**15.6**
Recognised at fair value through profit or loss (FVPL)	–	479.0	1,244.2	–	**1,723.2**
– of which: mandatorily FVPL	–	4.4	9.9	–	**14.3**
– of which: designated as FVPL	–	474.6	1,234.3	–	**1,708.9**
Mortgages and loans	155.7	93.6	155.2	1.8	**406.4**
Recognised at amortised cost (AC)	150.5	–	20.1	1.8	**172.4**
Recognised at fair value through OCI (FVOCI)	5.2	–	0.0	0.0	**5.2**
Recognised at fair value through profit or loss	–	93.6	135.2	–	**228.8**
– of which: mandatorily FVPL	–	–0.1	1.3	–	**1.2**
– of which: designated as FVPL	–	93.7	133.9	–	**227.6**
Derivative financial instruments[2]	–	–	120.7	–	**120.7**
Financial receivables	19.9	–	–	–0.1	**19.8**
Cash and cash equivalents	14.0	–	–0.5	–	**13.4**
Investment return for own account and at own risk	**296.8**	**962.9**	**1,424.9**	**2.2**	**2,686.8**
Investment return for the account and risk of customers and third parties	–	7.7	1,130.5	–	**1,138.2**
Total investment return	**296.8**	**970.6**	**2,555.4**	**2.2**	**3,825.0**

1 The position “Financial instruments with characteristics of equity - recognised at fair value through profit or loss (FVPL)” comprises gains and losses from hedging operations.
2 The position “Derivative financial instruments” comprises gains and losses on derivative financial assets and derivative financial liabilities.

2022	Interest revenue calculated using the effective interest method	Investment income	Realised gains and losses	Change in expected credit loss	Investment return
CHF million					
Investment return					
Investment property	–	279.4	242.7	–	**522.2**
Financial instruments with characteristics of equity	–	126.5	–207.4	–	**–80.9**
Recognised at fair value through OCI (FVOCI)	–	23.0	–	–	**23.0**
Recognised at fair value through profit or loss (FVPL)[1]	–	103.5	–207.4	–	**–103.9**
Financial instruments with characteristics of debt	77.2	470.4	–5,995.9	–9.1	**–5,457.4**
Recognised at amortised cost (AC)	1.2	–	–	–	**1.2**
Recognised at fair value through OCI (FVOCI)	76.0	–	–53.4	–9.1	**13.5**
Recognised at fair value through profit or loss (FVPL)	–	470.4	–5,942.5	–	**–5,472.1**
– of which: mandatorily FVPL	–	4.5	–47.2	–	**–42.8**
– of which: designated as FVPL	–	465.9	–5,895.2	–	**–5,429.3**
Mortgages and loans	87.7	111.2	–908.4	–0.5	**–710.0**
Recognised at amortised cost (AC)	81.6	–	–77.4	–0.5	**3.8**
Recognised at fair value through OCI (FVOCI)	6.1	–	–	0.0	**6.0**
Recognised at fair value through profit or loss	–	111.2	–831.0	–	**–719.8**
– of which: mandatorily FVPL	–	0.1	–4.1	–	**–3.9**
– of which: designated as FVPL	–	111.1	–826.9	–	**–715.8**
Derivative financial instruments[2]	–	–	43.8	–	**43.8**
Financial receivables	2.6	–	–	–0.3	**2.4**
Cash and cash equivalents	–1.4	–	1.8	–	**0.4**
Investment return for own account and at own risk	**166.0**	**987.5**	**–6,823.2**	**–9.8**	**–5,679.5**
Investment return for the account and risk of customers and third parties	–	7.4	–2,065.3	–	**–2,057.9**
Total investment return	**166.0**	**994.9**	**–8,888.5**	**–9.8**	**–7,737.3**

1 The position "Financial instruments with characteristics of equity – recognised at fair value through profit or loss (FVPL)" comprises gains and losses from hedging operations.
2 The position "Derivative financial instruments" comprises gains and losses on derivative financial assets and derivative financial liabilities.

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 debt essentially contains interest income and net income from the recognition and reversal of impairment losses owing to application of the effective interest method. The income from mortgages and loans is derived from the interest paid thereon and from the recognition and reversal of impairment losses owing to application of the effective interest method. Income from cash and cash equivalents is mainly derived from the interest paid thereon.

The change in the realised gains and losses predominantly results from market-related fluctuations in the measurement of financial instruments with characteristics of debt that are designated as measured at FVPL.

The income from financial assets with characteristics of equity that are classified as measured at fair value through other comprehensive income (FVOCI) can be broken down as follows:

	2023	2022
CHF million		
Income from financial instruments with characteristics of equity (FVOCI)		
Income from financial instruments held at the balance sheet date	2.6	8.1
Income from financial instruments sold during the reporting period	6.3	14.9
Total income from financial instruments with characteristics of equity (FVOCI)	**8.9**	**23.0**

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 100.5 million was reported for 2023 (previous year: loss of CHF 50.6 million).

Other currency gains or losses

A gross currency loss of CHF 294.8 million was recognised directly in equity for the reporting year (previous year: loss of CHF 115.2 million). Allowing for hedges of a net investment in a foreign operation (hedge accounting), a net loss of CHF 204.0 million was recognised for 2023 (previous year: net loss of CHF 127.6 million).

4.2 Investments on the balance sheet

	Investments for own account and own risk		Investments for the account and risk of customers and third parties		Total investments	
as at 31.12.	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
CHF million						
Investment property	8,248.6	8,495.1	–	–	8,248.6	8,495.1
Financial instruments with characteristics of equity	3,105.6	4,620.2	11,827.2	11,656.4	14,932.9	16,276.7
Financial instruments with characteristics of debt	29,267.0	29,117.5	2,886.5	2,147.1	32,153.4	31,264.6
Mortgages and loans	15,602.3	14,665.8	–	–	15,602.3	14,665.8
Derivative financial instruments	449.8	508.6	622.8	300.7	1,072.6	809.3
Financial receivables	727.2	600.7	0.0	0.0	727.2	600.6
Cash and cash equivalents	2,069.0	2,045.7	916.3	1,325.1	2,985.3	3,370.8
Total investments	**59,469.5**	**60,053.5**	**16,252.8**	**15,429.3**	**75,722.3**	**75,482.9**

4.2.1 Investment property

CHF million	2023	2022
Balance as at 1 January	**8,495.1**	**8,464.5**
Additions	121.9	142.5
Additions from capitalisable investments	7.6	–
Additions arising from change in scope of consolidation	152.9	–
Disposals	–399.1	–92.1
Disposals arising from change in scope of consolidation	–	–
Reclassification	–30.7	–24.1
Reclassification from/to non-current assets classified as held for sale	56.4	–168.8
Change in fair value	–72.0	242.7
Exchange differences	–83.5	–69.6
Balance as at 31 December	**8,248.6**	**8,495.1**
Operating expenses arising from investment property that generates rental income	82.9	82.0
Operating expenses arising from investment property that does not generate rental income	–	–

In 2023, six investment properties held for sale, which had a total fair value of CHF 56.4 million were reclassified as investment properties again as the parties to the sale were unable to reach an agreement.

During the reporting period, an owner-occupied property measured at FVPL with a fair value of CHF 5.1 million was reclassified as an investment property. Also during the reporting period, an investment property with a fair value of CHF 35.8 million was reclassified as an owner-occupied property measured at FVPL. Both of these reclassifications were carried out due to the change of use of the properties.

Baloise as lessor

Where it leases investment properties to third parties, the Baloise Group has entered into operating leases from which it receives lease income.

Leasing in the income statement CHF million	2023	2022
Fixed lease income	363.0	362.0
Variable lease income	1.4	2.0
Lease income	**364.4**	**363.9**

Due dates of lease income CHF million	2023	2022
Due within one year	345.2	353.7
Due after one to three years	664.8	673.6
Due after three to five years	471.4	467.7
Due after five years or more	239.4	141.4
Total	**1,720.7**	**1,636.4**

4.2.2 Financial instruments with characteristics of equity

31.12.2023	Equities	Equity funds	Other funds	Private equity	Total
CHF million					
Financial instruments with characteristics of equity					
Recognised at fair value through OCI (FVOCI)	216.8	–	–	120.0	**336.7**
Recognised at fair value through profit or loss (FVPL)	406.5	75.1	1,288.5	998.7	**2,768.9**
Financial instruments with characteristics of equity for own account and at own risk	**623.3**	**75.1**	**1,288.5**	**1,118.7**	**3,105.6**
of which: publicly listed	580.4	49.2	201.3	1.2	**832.0**
of which: not publicly listed	42.9	25.9	1,087.3	1,117.5	**2,273.7**

31.12.2022	Equities	Equity funds	Other funds	Private equity	Total
CHF million					
Financial instruments with characteristics of equity					
Recognised at fair value through OCI (FVOCI)	468.1	–	–	143.5	**611.6**
Recognised at fair value through profit or loss (FVPL)	1,075.1	121.4	1,714.9	1,097.2	**4,008.6**
Financial instruments with characteristics of equity for own account and at own risk	**1,543.2**	**121.4**	**1,714.9**	**1,240.7**	**4,620.2**
of which: publicly listed	1,409.3	107.5	701.5	1.2	**2,219.5**
of which: not publicly listed	133.9	13.9	1,013.4	1,239.4	**2,400.7**

For equities in the non-life segment that are not held for trading, Baloise uses the FVOCI option in order to avoid accounting mismatches. Gains and losses on individual equities in this group of financial instruments are recognised in other comprehensive income, as are currency effects; dividends are recognised in the income statement. Upon disposal or derecognition, the cumulative gains and losses are transferred from other comprehensive income to retained earnings. The majority of the equities measured at fair value through comprehensive income are publicly traded shares that are held for the purpose of collecting dividends.

	2023	2022
CHF million		
Balance as at 1 January	**611.6**	**903.6**
Additions	118.1	265.7
Additions arising from change in scope of consolidation	–	–
Disposals	– 387.7	– 487.5
Disposals arising from change in scope of consolidation	– 1.4	–
Change in fair value[1]	– 3.8	– 70.2
Balance as at 31 December	**336.7**	**611.6**

1 Includes fair value revaluations as well as exchange rate differences.

In 2023, financial instruments with characteristics of equity and measured at fair value through other comprehensive income were derecognised in an amount of CHF 389.1 million (2022: CHF 487.5 million) on the basis of strategic business decisions or adjustments to the asset allocation. Of this total, CHF 387.7 million was attributable to disposals (2022: CHF 487.5 million). The cumulative gains and losses on these instruments recognised in other comprehensive income, amounting to CHF 7.3 million, were transferred to retained earnings (2022: CHF 27.0 million).

4.2.3 Financial instruments with characteristics of debt

31.12.2023	Public corporations	Industrial enterprises	Financial institutions	Private debt	Other	Total
CHF million						
Financial instruments with characteristics of debt						
Recognised at amortised cost (AC)	81.6	–	11.5	2.0	29.9	**125.0**
Recognised at fair value through OCI (FVOCI)	2,509.9	1,338.0	1,579.1	227.7	–	**5,654.7**
Recognised at fair value through profit or loss (FVPL)	13,059.1	3,759.7	4,531.1	2,137.4	–	**23,487.3**
of which: mandatorily FVPL	16.1	170.4	59.0	–	–	**245.5**
of which: designated as FVPL	13,043.1	3,589.2	4,472.1	2,137.4	–	**23,241.8**
Financial instruments with characteristics of debt for own account and at own risk	**15,650.6**	**5,097.7**	**6,121.8**	**2,367.0**	**29.9**	**29,267.0**
of which: publicly listed	15,650.6	5,071.3	6,096.4	–	29.9	**26,848.2**
of which: not publicly listed	–	26.4	25.4	2,367.0	–	**2,418.8**

31.12.2022	Public corporations	Industrial enterprises	Financial institutions	Private debt	Other	Total
CHF million						
Financial instruments with characteristics of debt						
Recognised at amortised cost (AC)	82.6	–	21.5	–	5.0	**109.1**
Recognised at fair value through OCI (FVOCI)	2,432.9	1,330.2	1,421.7	297.8	–	**5,482.6**
Recognised at fair value through profit or loss (FVPL)	13,434.8	3,496.8	4,216.2	2,378.0	–	**23,525.9**
of which: mandatorily FVPL	5.6	100.7	212.3	–	–	**318.7**
of which: designated as FVPL	13,429.2	3,396.1	4,003.9	2,378.0	–	**23,207.2**
Financial instruments with characteristics of debt for own account and at own risk	**15,950.3**	**4,827.0**	**5,659.5**	**2,675.7**	**5.0**	**29,117.5**
of which: publicly listed	15,950.3	4,798.2	5,637.0	–	5.0	**26,390.5**
of which: not publicly listed	–	28.8	22.4	2,675.7	–	**2,727.0**

Financial instruments with characteristics of debt (AC)

	Gross amount		Impairment (ECL)		Carrying amount		Fair value	
as at 31.12.	2023	2022	2023	2022	2023	2022	2023	2022
CHF million								
Financial instruments with characteristics of debt carried at cost								
Public corporations	81.6	82.6	–	–	81.6	82.6	81.6	80.3
Industrial enterprises	–	–	–	–	–	–	–	–
Financial institutions	11.5	21.5	–	–	11.5	21.5	11.5	21.5
Private debt	2.0	–	–	–	2.0	–	2.0	–
Other	29.9	5.0	–	–	29.9	5.0	30.5	5.0
Financial instruments with characteristics of debt carried at cost	**125.0**	**109.1**	**–**	**–**	**125.0**	**109.1**	**125.5**	**106.8**

4.2.4 Mortgages and loans

31.12.2023	Mortgages	Promissory notes	Registered bonds	Time deposits	Reverse repurchase agreements	Other loans	Total
CHF million							
Mortgages and loans							
Recognised at amortised cost (AC)	8,017.5	0.2	–	762.7	1,015.0	343.1	**10,138.4**
Recognised at fair value through OCI (FVOCI)	–	228.6	326.4	–	–	–	**555.0**
Recognised at fair value through profit or loss (FVPL)	3,104.3	999.4	765.4	2.5	–	37.4	**4,909.0**
of which: mandatorily FVPL	–	4.6	–	–	–	31.7	**36.2**
of which: designated as FVPL	3,104.3	994.8	765.4	2.5	–	5.7	**4,872.7**
Mortgages and loans for own account and at own risk	**11,121.8**	**1,228.1**	**1,091.8**	**765.2**	**1,015.0**	**380.5**	**15,602.3**

31.12.2022	Mortgages	Promissory notes	Registered bonds	Time deposits	Reverse repurchase agreements	Other loans	Total
CHF million							
Mortgages and loans							
Recognised at amortised cost (AC)	7,857.0	97.5	–	211.3	465.0	302.8	**8,933.5**
Recognised at fair value through OCI (FVOCI)	–	250.2	333.2	–	–	–	**583.4**
Recognised at fair value through profit or loss (FVPL)	3,220.2	1,022.6	872.1	–	–	34.2	**5,149.0**
of which: mandatorily FVPL	–	6.0	–	–	–	34.2	**40.1**
of which: designated as FVPL	3,220.2	1,016.6	872.1	–	–	–	**5,108.9**
Mortgages and loans for own account and at own risk	**11,077.2**	**1,370.2**	**1,205.2**	**211.3**	**465.0**	**336.9**	**14,665.8**

	Gross amount		Impairment (ECL)		Carrying amount		Fair value	
as at 31.12.	2023	2022	2023	2022	2023	2022	2023	2022
CHF million								
Mortgages and loans (AC)								
Mortgages	8,034.2	7,875.5	–16.7	–18.5	8,017.5	7,857.0	8,089.6	7,654.2
Promissory notes	0.2	97.5	–	0.0	0.2	97.5	0.2	97.5
Time deposits	762.7	211.3	–	–	762.7	211.3	762.6	211.3
Reverse repurchase agreements	1,015.0	465.0	–	–	1,015.0	465.0	1,015.0	465.0
Other loans	343.3	303.5	–0.3	–0.7	343.1	302.8	341.6	301.9
Total mortgages and loans (AC)	**10,155.3**	**8,952.8**	**–16.9**	**–19.3**	**10,138.4**	**8,933.5**	**10,208.9**	**8,729.9**

4.2.5 Derivatives

	Contract value		Fair value assets		Fair value liabilities	
as at 31.12.	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
CHF million						
Interest rate instruments						
Forward contracts	–	–	–	–	–	–
Swaps	1,018.5	1,152.5	39.0	71.8	27.1	47.5
OTC options	–	–	–	–	–	–
Traded options	–	–	–	–	–	–
Futures	–	–	–	–	–	–
Other[1]	1.7	4.3	205.8	327.7	51.9	37.8
Total interest rate instruments	**1,020.1**	**1,156.8**	**244.8**	**399.5**	**79.0**	**85.3**
Equity instruments						
Forward contracts	–	–	–	–	–	–
OTC options	251.7	1,157.1	3.4	6.9	–	–
Traded options	–	352.9	–	2.4	–	0.9
Futures	–	–	–	–	–	–
Total equity instruments	**251.7**	**1,510.0**	**3.4**	**9.4**	**–**	**0.9**
Foreign currency instruments						
Forward contracts	5,451.3	8,247.2	201.6	99.7	4.4	49.5
Swaps	–	–	–	–	–	–
OTC options	–	–	–	–	–	–
Traded options	–	–	–	–	–	–
Futures	–	–	–	–	–	–
Total foreign currency instruments	**5,451.3**	**8,247.2**	**201.6**	**99.7**	**4.4**	**49.5**
Derivative financial instruments for own account and at own risk	**6,723.1**	**10,913.9**	**449.8**	**508.6**	**83.4**	**135.8**
of which: designated as fair value hedges	1,018.5	–	39.0	–	27.1	–
of which: designated as hedges of a net investment in a foreign operation	1,423.3	1,951.8	60.6	67.7	1.1	1.2

1 The “Other” line item contains structured products of Baloise Life Ltd.

For disclosure purposes, the contract value or notional amount is used for derivatives where the principal can be exchanged at maturity (options, futures and currency swaps). The contract value or notional amount is also used for instruments where the principal is only notionally lent or borrowed (interest rate swaps). The contract value or notional amount is disclosed in order to show the volume of derivative transactions in which the Baloise Group is involved.

Hedging of interest rate risk using fair value hedges

To hedge interest rate risk on receivables arising from fixed-rate mortgages and on liabilities arising from fixed-rate mortgage-backed bonds, Baloise Bank uses interest rate swap derivatives (payer and receiver swaps). It designates these derivatives as hedging instruments and designates the mortgages and mortgage-backed bonds as hedged items as part of a fair value hedge. This eliminates the accounting mismatches between the hedging instruments measured at fair value through profit or loss and the hedged items measured at amortised cost. Any gain or loss on the hedging instrument is recognised in profit or loss; the hedging gain or loss leads to an interest rate-related adjustment of the hedged item's carrying amount that is also recognised in profit or loss. The following tables show how the hedge accounting is presented on the balance sheet.

		Carrying amount	
2023	**Nominal amount**	**Assets**	**Liabilities**
CHF million			
Interest rate risk			
Interest rate swaps – mortgages	762.6	39.0	–
Interest rate swaps – mortgage-backed bonds	255.9	–	27.1

The hedging instruments that are held for the purpose of hedging mortgages and mortgage-backed bonds are recognised in the "Derivative financial instruments" line item on the balance sheet.

	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	
2023	**Assets**	**Liabilities**	**Assets**	**Liabilities**
CHF million				
Mortgages	723.1	–	39.5	–
Mortgage-backed bonds	–	228.7	–	27.2

The hedged mortgages are recognised in the "Mortgages and loans" line item on the balance sheet.

The hedged mortgage-backed bonds are recognised in the "Liabilities arising from financial contracts" line item on the balance sheet.

2023	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognised in profit or loss
CHF million		
Interest rate risk		
Interest rate swaps – mortgages	– 32.8	– 0.5
Interest rate swaps – mortgage-backed bonds	20.4	0.1

Hedge ineffectiveness is recognised in the “Realised gains and losses on investments” line item.

2023	Change in value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
CHF million		
Mortgages	30.8	–
Mortgage-backed bonds	20.2	–

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).

	Contract value		Fair value assets		Fair value liabilities	
as at 31.12.	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
CHF million						
Foreign currency instruments						
Forward contracts	1,423.3	1,951.8	60.6	67.7	1.1	1.2
Swaps	–	–	–	–	–	–
OTC options	–	–	–	–	–	–
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Total foreign currency instruments used as hedges of a net investment in a foreign operation	**1,423.3**	**1,951.8**	**60.6**	**67.7**	**1.1**	**1.2**

as at 31.12.	**2023**	**2022**
CHF million		
Amount recognised directly in equity	118.1	– 11.9
Hedge ineffectiveness reclassified to the income statement	–	–

Because equity investments are actively managed, additions to and deductions from equity are carried out on a regular basis during the year. Consequently, the year-on-year effects underlying hedge accounting and the recognition of cash flows in profit or loss are recognised on a pro-rata basis.

4.2.6 Financial receivables

	Gross amount		Impairment (ECL)		Carrying amount		Fair value	
as at 31.12.	2023	2022	2023	2022	2023	2022	2023	2022
CHF million								
Financial receivables (AC)								
Receivables from financial contracts	71.5	74.4	-1.4	-1.1	70.1	73.3	70.4	73.4
Receivables from investments	522.8	411.2	-1.5	-1.7	521.3	409.5	520.9	413.1
Other financial receivables	136.9	119.2	-1.1	-1.3	135.8	117.9	134.5	116.5
Financial receivables (AC)	**731.3**	**604.7**	**-4.0**	**-4.1**	**727.2**	**600.7**	**725.9**	**603.0**
Financial receivables (FVPL)								
Receivables from investments	0.0	0.0	–	–	0.0	0.0	0.0	0.0
Financial receivables (FVPL)	**0.0**	**0.0**	**–**	**–**	**0.0**	**0.0**	**0.0**	**0.0**
of which: mandatorily FVPL	0.0	0.0	–	–	0.0	0.0	0.0	0.0
of which: designated as FVPL	–	–	–	–	–	–	–	–
Total financial receivables for own account and at own risk	**731.3**	**604.7**	**-4.0**	**-4.1**	**727.2**	**600.7**	**725.9**	**603.0**

Other receivables include CHF 0.2 million in premiums that are due but have not yet been paid relating to contracts measured using the PAA and not recognised as part of the LRC (previous year: CHF 0.2 million).

4.3 Financial liabilities

4.3.1 Gains or losses on financial contracts

	2023	2022
CHF million		
Result from financial contracts for own account and at own risk		
Interest expenses	-53.7	-18.2
Realised gains and losses	-0.1	47.0
Other result from financial contracts	-9.3	-7.7
Total result from financial contracts for own account and at own risk	**-63.2**	**21.2**
Result from financial contracts for the account and at the risk of policyholders and third parties	-779.6	1,469.3
Total result from financial contracts	**-842.7**	**1,490.5**

CHF million	2023	2022
Interest expenses arising from financial contracts (AC)		
Interest on loans	–19.6	–9.2
Interest due	–0.3	–0.5
Interest arising from banking business	–16.8	–0.2
Interest expenses on repurchase agreements	–3.3	2.3
Expenses arising from other financial contracts	–13.5	–9.6
Interest expenses arising from financial contracts (AC)	**–53.4**	**–17.2**
Interest expenses arising from financial contracts (FVPL)		
Expenses arising from other financial contracts	–0.3	–1.0
Interest expenses arising from financial contracts (FVPL)	**–0.3**	**–1.0**
of which: mandatorily FVPL	–0.3	–1.0
of which: designated as FVPL	–	–
Total interest expense from financial contracts for own account and at own risk	**–53.7**	**–18.2**

4.3.2 Financial contracts on the balance sheet

CHF million	2023	2022
Liabilities arising from financial contracts at own account and at own risk	8,170.4	8,236.0
Liabilities arising from financial contracts at the account and risk of customers and third parties	11,766.0	11,603.7
Total liabilities arising from financial contracts	**19,936.3**	**19,839.7**

Financial liabilities for the account and at the risk of customers and third parties are financial contracts 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, market-related fluctuations in the measurement of the portfolio (recognised in profit or loss) and exchange rate movements.

as at 31.12.	Carrying amount 2023	Carrying amount 2022	Fair value 2023	Fair value 2022
CHF million				
Liabilities arising from financial contracts (AC)				
Liabilities to banks	30.1	41.2	29.9	39.7
Repurchase agreements	–	250.0	–	250.0
Loans	5.8	6.5	6.3	6.5
Mortgages	5.4	18.9	5.4	18.9
Savings and customer deposits	5,256.1	5,443.0	5,183.4	5,251.9
Medium-term bonds	286.7	95.6	289.8	92.9
Mortgage-backed bonds	2,529.1	2,112.5	2,477.9	1,922.5
Other financial contracts	10.0	15.6	10.0	15.6
Liabilities arising from financial contracts (AC)	**8,123.3**	**7,983.3**	**8,002.8**	**7,598.2**
Liabilities arising from financial contracts (FVPL)				
Mortgage-backed bonds	–	208.5	–	208.5
Other financial contracts	47.1	44.3	47.1	44.3
Liabilities arising from financial contracts (FVPL)	**47.1**	**252.7**	**47.1**	**252.7**
of which: mandatorily FVPL	47.1	44.3	47.1	44.3
of which: designated as FVPL	–	208.5	–	208.5
Total liabilities arising from financial contracts for own account and at own risk	**8,170.4**	**8,236.0**	**8,049.8**	**7,850.9**

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.

4.4 Offsetting of financial assets and liabilities

The relevant information used to determine the amount of the counterparty risk exposure includes information on the offsetting of financial assets and liabilities on the balance sheet and any existing offsetting agreements in this context. This information is summarised in the table below.

The table also shows the scope of the offsetting agreements that exist, even though no offsetting as defined in IFRS is carried out on the balance sheet. The offsetting agreements are ISDA and Swiss master agreements for OTC derivative transactions, Swiss master agreements for repos (multilateral version), and global master securities lending agreements. In the event of insolvency or if one of the parties fails to fulfil its contractual obligations, each party has the right to close the current contracts and to offset outstanding receivables with liabilities and collateral received within the offsetting agreement.

	Offsetting recognised on the balance sheet			Netting potential not recognised on the balance sheet		
2023	**Gross assets before offset**	**Offset with gross liabilities**	**Net assets recognised on the balance sheet**	**Financial liability**	**Collateral received**	**Assets after consideration of netting potential**
CHF million						
Financial assets	1,264.0	–2.6	**1,261.3**	–	–1,178.8	**82.5**

	Offsetting recognised on the balance sheet			Netting potential not recognised on the balance sheet		
2022	**Gross assets before offset**	**Offset with gross liabilities**	**Net assets recognised on the balance sheet**	**Financial liability**	**Collateral received**	**Assets after consideration of netting potential**
CHF million						
Financial assets	664.1	–18.5	**645.6**	0.0	–558.9	**86.7**

2023	Gross liabilities before offset	Offset with gross assets	Net liabilities recognised on the balance sheet	Financial asset	Collateral pledged	Liabilities after consideration of netting potential
	Offsetting recognised on the balance sheet			Netting potential not recognised on the balance sheet		
CHF million						
Financial liabilities	30.0	–	**30.0**	–	– 27.1	**2.8**

2022	Gross liabilities before offset	Offset with gross assets	Net liabilities recognised on the balance sheet	Financial asset	Collateral pledged	Liabilities after consideration of netting potential
	Offsetting recognised on the balance sheet			Netting potential not recognised on the balance sheet		
CHF million						
Financial liabilities	347.6	0.0	**347.6**	0.0	– 297.0	**50.6**

4.5 Fair value measurement of investments and financial liabilities

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 note 12.2.

Details of the methods used to measure level 2 and 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			
Recognised at fair value through OCI (FVOCI)	Internal measurement methods	Price of underlying instrument, liquidity discount, balance sheet and income statement figures	–
	Net asset value	n.a.	–
Recognised at fair value through profit or loss (FVPL)	Net asset value	n.a.	–
Financial instruments with characteristics of debt			
Recognised at fair value through OCI (FVOCI)	Present-value model	Yield curve, swap rates, default risk	–
Recognised at fair value through profit or loss (FVPL)	Present-value model Net asset value	Interest rate, credit spread, market price n.a.	–
Mortgages and loans			
Recognised at amortised cost (AC)	Present-value model	Interest rate, credit spread	–
Recognised at fair value through profit or loss (FVPL)	Present-value model	SARON, swap rates	–
Derivative financial instruments	Black-Scholes option pricing model	Money market interest rate, volatility, price of underlying instrument, exchange rates	–
	Black-76	Volatility, forward interest rate	–
Liabilities arising from financial contracts			
Recognised at fair value through profit or loss (FVPL)	Stochastic present-value model	Investment fund prices, interest rates, cancellation rate	–
	Present-value model	SARON, swap rates	–
Level 3			
Financial instruments with characteristics of equity	Net asset value	n.a.	n.a.
Financial instruments with characteristics of debt	Present-value model	Interest rate, credit spread	–
Mortgages and loans			
Recognised at amortised cost (AC)	Present-value model	Swap curve, individual spread	–
Recognised at fair value through OCI (FVOCI)	Present-value model	Swap curve, individual spread	–
Recognised at fair value through profit or loss (FVPL)	Present-value model	Swap curve, individual spread	–
Liabilities arising from financial contracts			
Recognised at fair value through profit or loss (FVPL)	Stochastic present-value model	Investment fund prices, interest rates, cancellation rate	–
	Present-value model	SARON, swap rates	–
Investment property	DCF method	Discount rate[1]	2.40% – 4.20%[3]
		Rental income[2]	280 – 300 CHFmillion[3]
		Vacancy costs[1]	12 – 18 CHF million[3]
		Running costs[1]	24 – 30 CHF million[3]
		Maintenance costs[1]	23 – 29 CHF million[3]
		Capital expenditure[2]	100 – 130 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 FVOCI or FVPL and classified as level 3 are primarily private equity investments and alternative investments held by Baloise as well as non-controlling interests in real estate companies. The fair value of such investments is usually determined by fund managers (external providers) based on net asset value (NAV). These external providers generally use non-public information to calculate the individual investments' NAV.

Financial instruments with characteristics of debt 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 investments and financial liabilities for own account and at own risk

31.12.2023	Total carrying amount	Total fair value	Level 1	Level 2	Level 3
CHF million					
Investments					
Investment property	8,248.6	8,248.6	–	–	8,248.6
Financial instruments with characteristics of equity	3,105.6	3,105.6	832.0	419.3	1,854.3
Recognised at fair value through OCI (FVOCI)	336.7	336.7	180.9	23.3	132.5
Recognised at fair value through profit or loss (FVPL)	2,768.9	2,768.9	651.1	396.0	1,721.8
Financial instruments with characteristics of debt	29,267.0	29,267.5	26,848.7	2,418.8	–
Recognised at amortised cost (AC)	125.0	125.5	123.6	2.0	–
Recognised at fair value through OCI (FVOCI)	5,654.7	5,654.7	5,427.0	227.7	–
Recognised at fair value through profit or loss (FVPL)	23,487.3	23,487.3	21,298.2	2,189.1	–
Mortgages and loans	15,602.3	15,672.9	–	12,308.9	3,364.0
Recognised at amortised cost (AC)	10,138.4	10,208.9	–	9,204.6	1,004.4
Recognised at fair value through OCI (FVOCI)	555.0	555.0	–	–	555.0
Recognised at fair value through profit or loss (FVPL)	4,909.0	4,909.0	–	3,104.3	1,804.7
Derivative financial instruments	449.8	449.8	0.2	449.6	–
Financial receivables	727.2	725.9	323.8	6.7	395.4
Financial liabilities					
Liabilities arising from financial contracts	8,170.4	8,049.8	42.7	7,981.0	26.1
Recognised at amortised cost (AC)	8,123.3	8,002.8	0.7	7,981.0	21.0
Recognised at fair value through profit or loss (FVPL)	47.1	47.1	42.0	–	5.1
Derivative financial instruments	83.4	83.4	–	83.4	0.0
Outstanding bonds[1]	2,385.0	2,219.8	2,219.8	–	–

1 Details of the outstanding bonds can be found in note 5.2.1.

31.12.2022	Total carrying amount	Total fair value	Level 1	Level 2	Level 3
CHF million					
Investments					
Investment property	**8,495.1**	**8,495.1**	–	–	8,495.1
Financial instruments with characteristics of equity	**4,620.2**	**4,620.2**	2,219.5	483.5	1,917.2
Recognised at fair value through OCI (FVOCI)	**611.6**	**611.6**	436.9	19.8	154.8
Recognised at fair value through profit or loss (FVPL)	**4,008.6**	**4,008.6**	1,782.6	463.7	1,762.4
Financial instruments with characteristics of debt	**29,117.5**	**29,115.2**	26,391.5	2,723.8	–
Recognised at amortised cost (AC)	**109.1**	**106.8**	106.8	–	–
Recognised at fair value through OCI (FVOCI)	**5,482.6**	**5,482.6**	5,184.8	297.8	–
Recognised at fair value through profit or loss (FVPL)	**23,525.9**	**23,525.9**	21,099.8	2,426.0	–
Mortgages and loans	**14,665.8**	**14,462.2**	–	11,339.4	3,122.8
Recognised at amortised cost (AC)	**8,933.5**	**8,729.9**	–	8,119.2	610.7
Recognised at fair value through OCI (FVOCI)	**583.4**	**583.4**	–	–	583.4
Recognised at fair value through profit or loss (FVPL)	**5,149.0**	**5,149.0**	–	3,220.2	1,928.8
Derivative financial instruments	**508.6**	**508.6**	8.7	499.9	–
Financial receivables	**600.7**	**603.0**	213.2	10.6	379.2
Financial liabilities					
Liabilities arising from financial contracts	**8,236.0**	**7,850.9**	44.6	7,765.6	40.8
Recognised at amortised cost (AC)	**7,983.3**	**7,598.2**	0.3	7,557.1	40.8
Recognised at fair value through profit or loss (FVPL)	**252.7**	**252.7**	44.3	208.5	–
Derivative financial instruments	**135.8**	**135.8**	0.9	134.9	–
Outstanding bonds [1]	**2,583.8**	**2,397.1**	2,397.1	–	–

1 Details of the outstanding bonds can be found in note 5.2.1.

Fair value of investments and financial liabilities for the account and risk of customers and third parties

31.12.2023	Total carrying amount	Total fair value	Level 1	Level 2	Level 3
CHF million					
Investments					
Financial instruments with characteristics of equity	**11,827.2**	**11,827.2**	10,794.8	577.5	455.0
Financial instruments with characteristics of debt	**2,886.5**	**2,886.5**	2,529.3	233.5	123.7
Mortgages and loans	**–**	**–**	–	–	–
Derivative financial instruments	**622.8**	**622.8**	–	622.8	–
Financial liabilities					
Liabilities arising from financial contracts	**11,766.0**	**11,766.0**	10,532.5	687.3	546.2
Derivative financial instruments	**–**	**–**	–	–	–

31.12.2022	Total carrying amount	Total fair value	Level 1	Level 2	Level 3
CHF million					
Investments					
Financial instruments with characteristics of equity	**11,656.4**	**11,656.4**	11,250.0	–	406.5
Financial instruments with characteristics of debt	**2,147.1**	**2,147.1**	1,830.1	204.9	112.1
Mortgages and loans	**–**	**–**	–	–	–
Derivative financial instruments	**300.7**	**300.7**	0.0	300.7	–
Financial liabilities					
Liabilities arising from financial contracts	**11,603.7**	**11,603.7**	2,285.7	619.9	8,698.1
Derivative financial instruments	**–**	**–**	–	–	–

Investments and financial liabilities measured at fair value on a recurring basis for own account and at own risk classified as Level 3

	Investment property	Financial instruments with characteristics of equity		Mortgages and loans		Total investments	Liabilities arising from financial contracts	Total financial liabilities
2023	**FVPL**	**FVOCI**	**FVPL**	**FVOCI**	**FVPL**		**FVPL**	
CHF million								
Balance as at 1 January	**8,495.1**	**154.8**	**1,762.4**	**583.4**	**1,928.8**	**12,924.4**	**–**	**–**
Additions	129.5	11.1	167.7	13.6	64.7	**386.6**	5.1	**5.1**
Additions arising from change in the scope of consolidation	152.9	–	–	–	–	**152.9**	–	**–**
Disposals	– 399.1	– 1.5	– 111.2	– 29.2	– 179.8	**– 720.8**	–	**–**
Disposals arising from change in the scope of consolidation	–	–	–	–	–	**–**	–	**–**
Reclassified to level 3	5.1	–	16.8	–	–	**21.8**	–	**–**
Reclassified from level 3	– 35.8	–	–	–	–	**– 35.8**	–	**–**
Reclassification to non-current assets classified as held for sale	56.4	–	–	–	–	**56.4**	–	**–**
Changes in fair value recognised in profit or loss	– 72.0	–	18.5	– 6.0	84.6	**25.0**	–	**–**
Changes in fair value not recognised in profit or loss	–	– 24.1	–	28.3	–	**4.2**	–	**–**
Exchange differences	– 83.5	– 7.8	– 132.3	– 35.1	– 93.6	**– 352.3**	–	**–**
Balance as at 31 December	**8,248.6**	**132.5**	**1,721.8**	**555.0**	**1,804.7**	**12,462.5**	**5.1**	**5.1**
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	**– 88.6**	**–**	**– 10.2**	**–**	**82.9**	**– 15.9**	**–**	**–**

In 2023, six investment properties held for sale, which had a total fair value of CHF 56.4 million were reclassified as investment properties again as the parties to the sale were unable to reach an agreement.

During the reporting period, an owner-occupied property measured at FVPL with a fair value of CHF 5.1 million was reclassified as an investment property. Also during the reporting period, an investment property with a fair value of CHF 35.8 million was reclassified as an owner-occupied property measured at FVPL. Both of these reclassifications were carried out due to the change of use of the properties.

	Investment property	Financial instruments with characteristics of equity		Mortgages and loans		Total investments	Liabilities arising from financial contracts	Total financial liabilities
2022	**FVPL**	**FVOCI**	**FVPL**	**FVOCI**	**FVPL**		**FVPL**	
CHF million								
Balance as at 1 January	**8,464.5**	**99.1**	**1,742.2**	**694.9**	**3,200.2**	**14,201.0**	**–**	**–**
Additions	142.5	18.6	166.1	94.5	181.7	**603.3**	–	**–**
Additions arising from change in the scope of consolidation	–	–	–	–	–	**–**	–	**–**
Disposals	–92.1	–1.2	–190.3	–56.6	–725.9	**–1,066.1**	–	**–**
Disposals arising from change in the scope of consolidation	–	–	–	–	–	**–**	–	**–**
Reclassified to level 3	–	–	17.3	–	–	**17.3**	–	**–**
Reclassified from level 3	–24.1	0.0	–	–	–	**–24.1**	–	**–**
Reclassification to non-current assets classified as held for sale	–168.8	–	–	–	–	**–168.8**	–	**–**
Changes in fair value recognised in profit or loss	242.7	–	61.6	–6.2	–621.8	**–323.7**	–	**–**
Changes in fair value not recognised in profit or loss	–	43.6	–	–111.0	–	**–67.4**	–	**–**
Exchange differences	–69.6	–5.3	–34.5	–32.2	–105.5	**–247.1**	–	**–**
Balance as at 31 December	**8,495.1**	**154.8**	**1,762.4**	**583.4**	**1,928.8**	**12,924.4**	**–**	**–**
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	**240.7**	**–**	**–30.8**	**–**	**–592.2**	**–382.3**	**–**	**–**

Investments and financial liabilities of customers and third parties measured at fair value on a recurring basis classified as Level 3

2023	Financial instruments with characteristics of equity	Financial instruments with characteristics of debt	Total investments	Liabilities arising from financial contracts	Total financial liabilities
	FVPL	FVPL		FVPL	
CHF million					
Balance as at 1 January	**406.5**	**112.1**	**518.6**	**8,698.1**	**8,698.1**
Additions	75.5	18.0	**93.5**	10.6	**10.6**
Additions arising from change in the scope of consolidation	–	–	**–**	–	**–**
Disposals	–69.0	–1.2	**–70.2**	–2.6	**–2.6**
Disposals arising from change in the scope of consolidation	–	–	**–**	–	**–**
Reclassified to level 3	0.2	2.3	**2.5**	0.8	**0.8**
Reclassified from level 3	–	–1.1	**–1.1**	–8,799.6	**–8,799.6**
Changes in fair value recognised in profit or loss	69.2	1.1	**70.2**	802.7	**802.7**
Exchange differences	–27.4	–7.6	**–34.9**	–163.8	**–163.8**
Balance as at 31 December	**455.0**	**123.7**	**578.7**	**546.2**	**546.2**
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	**69.2**	**1.1**	**70.2**	**–803.5**	**–803.5**

2022	Financial instruments with characteristics of equity	Financial instruments with characteristics of debt	Total investments	Liabilities arising from financial contracts	Total financial liabilities
	FVPL	FVPL		FVPL	
CHF million					
Balance as at 1 January	**363.7**	**130.5**	**494.1**	**9,880.3**	**9,880.3**
Additions	58.3	17.9	**76.2**	3.1	**3.1**
Additions arising from change in the scope of consolidation	–	–	**–**	–	**–**
Disposals	–33.4	–32.3	**–65.6**	–4.7	**–4.7**
Disposals arising from change in the scope of consolidation	–	–	**–**	–	**–**
Reclassified to level 3	1.3	2.8	**4.1**	3.6	**3.6**
Reclassified from level 3	–0.1	–	**–0.1**	–0.1	**–0.1**
Changes in fair value recognised in profit or loss	35.2	–0.7	**34.4**	–719.8	**–719.8**
Exchange differences	–18.5	–6.0	**–24.5**	–464.5	**–464.5**
Balance as at 31 December	**406.5**	**112.1**	**518.6**	**8,698.1**	**8,698.1**
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	**35.0**	**0.0**	**35.0**	**–**	**–**

Reclassification of assets and liabilities between level 1 and level 2

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 for 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.

Reclassification of assets and liabilities to and from level 3

The reclassifications of investment properties made to and from level 3 in the reporting period were attributable to the change of use of two owner-occupied properties measured at FVPL.

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

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, 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. Funding

5.1 Borrowing costs

CHF million	2023	2022
Interest expense from outstanding bonds	25.6	22.1
Interest expense from lease liabilities	0.5	0.3
Total borrowing costs	**26.2**	**22.4**

5.2 Financial liabilities

CHF million	2023	2022
Outstanding bonds	2,334.0	2,583.8
Lease liabilities	57.3	25.6
Total financial liabilities	**2,391.3**	**2,609.4**

The maturity analysis of undiscounted cash flows from senior debt and lease liabilities is presented in note 11.3.3.

5.2.1 Outstanding bonds

	2023			2022		
CHF million	Senior debt	Subordinated debt	Total	Senior debt	Subordinated debt	Total
Balance as at 1 January	**2,084.7**	**499.0**	**2,583.8**	**1,900.6**	**498.5**	**2,399.1**
Additions	549.9	–	**549.9**	534.7	–	**534.7**
Disposals / repayments	-500.0	-300.0	**-800.0**	-350.0	–	**-350.0**
Interest expenses	18.4	7.3	**25.6**	12.0	10.2	**22.1**
Borrowing costs paid	-13.5	-6.3	**-19.8**	-11.3	-9.7	**-20.9**
Accrued borrowing costs	-4.9	-0.7	**-5.6**	-1.3	–	**-1.3**
Interest costs (sub-total)	**0.0**	**0.3**	**0.3**	**-0.6**	**0.5**	**-0.1**
Balance as at 31 December	**2,134.6**	**199.4**	**2,334.0**	**2,084.7**	**499.0**	**2,583.8**

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

In addition, the Baloise Group issued a senior bond with a volume of CHF 100 million and a coupon of 2.35 per cent (maturity period: 2023-2033, ISIN CH1256367199) on 2 May 2023 as part of its funding activities.

On 26 April 2023, a CHF-denominated senior bond with a volume of CHF 225 million and a coupon of 1.75 per cent issued by Baloise Holding Ltd was repaid. Furthermore on 19 June 2023 Baloise Life Ltd repaid an open-ended CHF-denominated subordinated bond with a volume of CHF 300 million and a coupon of 1.75 per cent on the first possible call date.

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

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

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

Terms & conditions of outstanding bonds as at 31 December 2023

Issuer	Baloise Holding Ltd	Baloise Life Ltd	Baloise Holding Ltd	Baloise Holding Ltd	Baloise Holding Ltd
Face value (CHF million)	150	200	200	100	125
Interest rate	1.125 %	2.200%	0.500%	0.000%	0.000%
Redemption value	100%	100%	100%	100%	100%
Issue date	19.12.2014	19.09.2017	28.01.2019	25.09.2019	25.09.2019
Repayment date	19.12.2024	19.06.2048	28.11.2025	25.09.2026	25.09.2029
ISIN	CH0261399064	CH0379611004	CH0458097976	CH0496692978	CH0496692986
Ranking	senior	subordinated[1]	senior	senior	senior

Issuer	Baloise Holding Ltd	Baloise Holding Ltd	Baloise Holding Ltd	Baloise Holding Ltd	Baloise Holding Ltd
Face value (CHF million)	175	125	250	200	200
Interest rate	0.250%	0.500%	0.150%	0.125 %	0.300%
Redemption value	100%	100%	100%	100%	100%
Issue date	16.07.2020	16.07.2020	15.02.2021	27.09.2021	16.02.2022
Repayment date	16.12.2026	16.12.2030	17.02.2031	27.06.2030	16.02.2027
ISIN	CH0553331817	CH0553331825	CH0593641068	CH1130818839	CH1148728210
Ranking	senior	senior	senior	senior	senior

Issuer	Baloise Holding Ltd	Baloise Holding Ltd	Baloise Holding Ltd	Baloise Holding Ltd	
Face value (CHF million)	110	225	175	100	
Interest rate	1.900%	2.200%	2.200%	2.350%	
Redemption value	100%	100%	100%	100%	
Issue date	19.07.2022	30.11.2022	30.01.2023	02.05.2023	
Repayment date	19.07.2028	30.05.2029	30.01.2032	02.05.2033	
ISIN	CH1199322350	CH1206367661	CH1232107180	CH1256367199	
Ranking	senior	senior	senior	senior	

1 The first scheduled call date for the issuer is 19 June 2028.

5.2.2 Lease liabilities

Baloise as 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 and recognises it on its balance sheet. On the balance sheet, right-of-use assets are recognised under the “Property, plant and equipment” line item and the lease liabilities under “Financial liabilities”. 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-lease components within a rental contract are not treated separately. Instead, they are also taken into account in the measurement of the relevant lease liability.

Leases of low-value assets 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.

CHF million	2023	2022
Balance as at 1 January	**25.6**	**26.5**
Additions	46.6	12.3
Additions arising from change in scope of consolidation	–	–
Disposals	–0.4	–0.8
Disposals arising from change in scope of consolidation	–0.5	–
Interest expenses	0.5	0.3
Repayment of lease liabilities	–12.3	–12.1
Exchange differences	–2.3	–0.6
Balance as at 31 December	**57.3**	**25.6**

Leases in the income statement

CHF million	2023	2022
Income relating to sublease contracts	–	0.1
Expenses relating to leases of low-value and short-term leases	–3.8	–4.6
Interest expenses on lease liabilities	–0.5	–0.3
Depreciation and impairment of right-of-use assets	–12.0	–11.7

6. Employee benefits

6.1 Receivables and liabilities arising from employee benefits

CHF million	31.12.2023	31.12.2022
Receivables from employee benefits		
Short-term employee benefits	4.1	5.2
Post-employment benefits – defined benefit plans	2.2	2.2
Total receivables from employee benefits	**6.3**	**7.3**
Liabilities from employee benefits		
Short-term employee benefits	70.2	78.2
Post-employment benefits – defined benefit plans	537.3	532.7
Other long-term employee benefits	25.4	23.8
Termination benefits	2.6	5.8
Total liabilities from employee benefits	**635.5**	**640.5**

6.2 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.

6.2.1 Comprehensive income on defined benefit plans

CHF million	2023	2022
Current service cost (net)	– 40.6	– 66.8
Net interest cost	– 17.8	– 6.8
Unrecognised past service cost	–	– 5.6
Gains and losses on plan settlements	–	–
Expected return on reimbursement rights	–	–
Total expenses for defined benefit plans recognised in the income statement	**– 58.4**	**– 79.3**
Actuarial gains / losses	– 392.3	840.4
Return on plan assets	22.3	– 120.8
Effect of the asset ceiling, excluding the time value of money	293.0	– 497.7
Total other comprehensive income on defined benefit plans	**– 77.0**	**222.0**
Total comprehensive income on defined benefit plans	**– 135.4**	**142.7**

6.2.2 Net actuarial liabilities under defined benefit plans

CHF million	31.12.2023	31.12.2022
Fair value of plan assets	2,853.7	2,780.3
Present value of (partially) funded liabilities	– 2,645.0	– 2,286.7
Present value of unfunded liabilities	– 530.8	– 525.6
Effect of the asset ceiling, including the time value of money	– 212.8	– 498.6
Net actuarial liabilities under defined benefit plans	**– 535.0**	**– 530.6**

Fair value of plan assets

CHF million	2023	2022
Balance as at 1 January	**2,780.3**	**2,899.1**
Interest rate effect	67.3	10.9
Return on plan assets (after deduction of the time value of money)	22.3	– 120.8
Employees’ savings and purchases	41.4	39.5
Exchange differences	– 2.7	– 2.5
Employer contribution	71.2	64.1
Employee contribution	41.9	43.2
Benefits paid	– 168.1	– 153.2
Cash flow between Baloise Group and plan assets (excl. benefits paid to employees and employer contribution)	–	–
Additions / disposals arising from change in scope of consolidation	–	–
Reclassification to non-current assets classified as held for sale	–	–
Gains and losses on plan settlements	–	–
Balance as at 31 December	**2,853.7**	**2,780.3**

Partially funded liabilities under defined benefit plans

CHF million	2023	2022
Balance as at 1 January	**–2,286.7**	**–2,931.1**
Current service cost (net)	–32.0	–52.8
Interest rate effect	–58.9	–10.2
Employee contribution	–41.9	–43.2
Employees' savings and purchases	–41.4	–39.5
Actuarial gains/losses on defined benefit obligations arising from	–355.2	639.6
Changes in financial assumptions	–257.6	678.9
Changes in demographic assumptions	–12.9	–6.2
Experience adjustments	–84.8	–33.1
Exchange differences	3.0	3.0
Unrecognised past service cost	–	–5.6
Benefits paid	168.1	153.2
Additions/disposals arising from change in scope of consolidation	–	–
Reclassification to non-current assets classified as held for sale	–	–
Gains and losses on plan settlements	–	–
Balance as at 31 December	**–2,645.0**	**–2,286.7**

Unfunded liabilities under defined benefit plans

CHF million	2023	2022
Balance as at 1 January	**–526.2**	**–782.6**
Current service cost (net)	–8.6	–14.0
Interest rate effect	–18.9	–6.6
Employee contribution	–1.0	–0.9
Actuarial gains/losses on defined benefit obligations arising from	–37.0	200.9
Changes in financial assumptions	–37.8	227.1
Changes in demographic assumptions	1.2	0.2
Experience adjustments	–0.5	–26.4
Exchange differences	31.1	32.4
Unrecognised past service cost	–	–
Benefits paid	29.9	45.3
Additions/disposals arising from change in scope of consolidation	–	0.0
Reclassification to non-current assets classified as held for sale	–	–
Gains and losses on plan settlements	–	–
Balance as at 31 December	**–530.8**	**–525.6**

Asset ceiling

CHF million	2023	2022
Balance as at 1 January	**-498.6**	**–**
Interest rate effect	-7.2	-0.9
Effect of the asset ceiling (excluding interest rate effect)	293.0	-497.7
Exchange differences	–	–
Balance as at 31 December	**-212.8**	**-498.6**

6.2.3 Asset allocation

CHF million	31.12.2023	31.12.2022
Cash and cash equivalents	66.4	52.7
Real estate	670.6	645.4
Equities and investment funds	1,642.6	1,595.3
publicly listed	1,601.3	1,562.2
not publicly listed	41.2	33.1
Fixed-interest assets	73.3	76.9
publicly listed	73.3	76.9
not publicly listed	–	–
Mortgages and loans	364.1	376.1
Derivatives	4.2	4.5
publicly listed	–	–
not publicly listed	4.2	4.5
Other	32.4	29.6
Fair value of plan assets	**2,853.7**	**2,780.3**
of which: Baloise Holding Ltd shares (fair value)	18.5	28.5
of which: real estate leased to the Baloise Group	–	–

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

6.2.4 Actuarial assumptions

per cent	2023	2022
Discount rate	1.8	2.7
Expected wage and salary increases	1.4	1.4
Expected increase in pension benefits	0.2	0.3
Weighted annuity option take-up rate	61.5	61.5
Years		
Average life expectancy of a 65-year-old woman	24.5	24.4
Average life expectancy of a 65-year-old man	22.5	22.3

When calculating liabilities and expenses for defined benefit plans, the Baloise Group is required to make actuarial and other assumptions that are determined on a company-by-company and country-by-country basis. The assumptions shown above are weighted averages.

6.2.5 Sensitivity analysis for liabilities under defined benefit plans

CHF million	31.12.2023	31.12.2022
Total defined benefit obligation as shown	–3,175.9	–2,812.3
Discount rate plus 0.5% age points	197.2	153.8
Discount rate minus 0.5% age points	–221.4	–171.0
Expected wage and salary increases plus 0.5% age points	–22.7	–16.2
Expected wage and salary increases minus 0.5% age points	21.5	14.4
Expected pension benefits increases plus 0.5% age points	–137.7	–114.0
Expected pension benefits increases minus 0.5% age points	17.9	22.9
Mortality probabilities for 65-year-olds plus 10.0% age points	54.2	44.6
Mortality probabilities for 65-year-olds minus 10.0% age points	–60.6	–51.1
Share of annuity option plus 10.0% age points	–2.7	3.1

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.

6.2.6 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.

6.2.7 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 78.7 million for the 2024 financial year.

6.2.8 Maturity profile

The maturity profile of liabilities under pension plans differs depending on whether benefits are prospective or current entitlements. For prospective benefit entitlements, the average expected remaining service period is 9.8 years; current benefit entitlements under pension commitments are designed for an average of 13.4 years.

6.3 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 2023 totalled CHF 25.4 million (previous year: CHF 23.8 million). There were no disposals of plan assets for long-term employee benefits. Benefits paid out amounted to CHF 2.5 million (previous year: CHF 2.7 million).

6.4 Share-based payment plan

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, the Share Participation Plan (discontinued with effect from 1 January 2024) and the Performance share units (PSU) Plan. The PSU Plan 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 notes 4, 5 and 6 of the Compensation Report.

In 2023, a sum of CHF 29.0 million (previous year: CHF 27.4 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.

6.4.1 Employee Incentive Plan

	2023	2022
Number of shares subscribed	238,410	223,477
Restricted until	31.08.2026	31.08.2025
Subscription price per share (CHF)	67.90	74.40
Value of shares subscribed (CHF million)	16.2	16.6
Fair value of subscribed shares on subscription date (CHF million)	33.1	31.6
Employees entitled to participate	3,471	3,419
Participating employees	2,646	2,506
Subscribed shares per participant (average)	90.1	89.2

6.4.2 Share Subscription Plan

Share Subscription Plan for senior managers (SSP) [1]	2023	2022
Number of shares subscribed	22,694	23,229
Restricted until	28.02.2026	28.02.2025
Subscription price per share (CHF)	134.28	142.92
Value of shares subscribed (CHF million)	3.0	3.3
Fair value of subscribed shares on subscription date (CHF million)	3.6	3.6
Employees entitled to participate	1,113	1,073
Participating employees	132	125
SSP portion of variable remuneration	12 %	12 %

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

Share Subscription Plan for the board of directors	2023	2022
Number of shares subscribed	7,207	6,282
Restricted until	31.05.2026	31.05.2025
Subscription price per share (CHF)	125.91	146.70
Value of shares subscribed (CHF million)	0.9	0.9
Fair value of subscribed shares on subscription date (CHF million)	1.0	1.0
Participating members of the Board of Directors	10	12

6.4.3 Share Participation Plan

	2023	2022
Number of shares subscribed [1]	108,923	102,281
Restricted until	28.02.2026	28.02.2025
Subscription price per share [2] (CHF)	127.14	137.34
Value of shares subscribed [2] (CHF million)	13.8	14.0
Fair value of subscribed shares on subscription date (CHF million)	17.0	15.8
Employees entitled to participate	1,086	1,051
Participating employees	181	173
SPP portion of variable remuneration	9 %	8 %

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

6.4.4 Performance Share Units (PSU) Plan

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:

	PSUs granted		PSUs converted				Change in value [3]
	Date	Price (CHF) [1]	Date	Multiplier	Price (CHF) [1]	Value (CHF) [2]	
2019	01.03.2019	163.00	01.03.2022	0.67	154.10	103.25	– 37 %
2020	01.03.2020	154.90	01.03.2023	0.61	156.50	95.47	– 38 %
2021	01.03.2021	158.90	01.03.2024	0.00[4]	131.8 [4]	0.00[4]	–100 % [4]
2022	01.03.2022	154.10	01.03.2025	0.00[4]	131.8 [4]	0.00[4]	–100 % [4]
2023	01.03.2023	156.50	01.03.2026	0.00[4]	131.8 [4]	0.00[4]	–100 % [4]

1 Price = price of Baloise shares at the PSU grant date or conversion date.
2 Value = value of one PSU at the conversion date (share price at the conversion date times the multiplier).
3 Change in value = difference between the value at the conversion date (multiplier times the share price at the conversion date) and the share price at the grant date, expressed as a percentage of the share price at the grant date; example of the PSU plan in 2020: ([{0.61*156.50}–154.90]/154.90) * 100 = –38 %.
4 Interim measurement as at 31 D ecember 2023.

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:

- risk-free interest rate
- the volatilities of all shares in the peer group (measured over a one-year track record) and their correlations with each other (measured over a three-year track record).

	Plan 2023	Plan 2022	Plan 2021
Employees entitled to participate at launch of programme	68	78	68
Number of allocated PSU	29,812	33,914	28,045
of which: expired (departures in 2021)	–	–	–504
Number of active PSUs as at 31 December 2021	–	–	27,541
of which: expired (departures in 2022)	–	–	–315
Number of active PSUs as at 31 December 2022	–	33,914	27,226
of which: expired (departures in 2023)	–309	–1,402	–995
Number of active PSUs as at 31 December 2023	29,503	32,512	26,231
Value of allocated PSUs on issue date (CHF million)	4.7	5.4	4.9
PSU expense incurred by the Baloise Group for 2021 (CHF million)	–	–	1.1
PSU expense incurred by the Baloise Group for 2022 (CHF million)	–	1.4	1.5
PSU expense incurred by the Baloise Group for 2023 (CHF million)	1.2	1.8	1.6

6.4.5 Employee Stock Option Programme

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

	2023	2022
Participating employees	79	65
Number of allocated options	3,989,458	3,571,653
of which: expired (departures in 2021)	416,260	416,260
of which: expired (departures in 2022)	518,213	518,213
of which: expired (departures in 2023)	591,345	–
Number of active options as at 31 December 2023	2,463,640	2,637,180
ESOP expense (CHF million)	0.9	1.1

The shares under the dissolved PSOP were calculated and valued pro rata as at 31 December 2020. The resulting amount was paid out in three tranches up to the end of March 2023, with CHF 0.3 million paid out in 2023 (2022: CHF 2.1 million).

	2023	2022
Participating employees	–	8
Total liabilities arising from the allocated PSOPs (CHF million)	–	0.3
Total liabilities arising from the vested PSOPs (CHF million)	–	0.3
PSOP expense (CHF million)	–	–0.1

7. Taxes

7.1 Current income taxes and deferred taxes

CHF million	2023	2022
Current income taxes	– 69.5	– 67.1
Deferred taxes	– 12.4	– 32.4
Total income taxes	**– 81.9**	**– 99.5**

Expected and current income taxes

The expected average tax rate for the Baloise Group was 24.8 per cent in 2022 and 27.7 per cent in 2023. These rates correspond to the weighted average tax rates in those countries where the Baloise Group operates.

CHF million	2023	2022
Profit before taxes	318.2	343.9
Expected average tax rate (per cent)	27.67 %	24.78 %
Expected income taxes	**– 88.0**	**– 85.2**
Increase / reduction owing to		
Tax-exempt profits and losses	12.4	0.5
Non-deductible expenses	– 6.4	– 30.0
Withholding taxes on dividends	– 1.6	– 0.6
Change in tax rates	0.0	– 5.0
Change in unrecognised tax losses	2.3	– 4.2
Recognition of tax credits	–	–
Tax items related to other reporting periods	9.1	4.0
Non-taxable measurement differences	– 3.0	– 3.4
Intercompany effects	6.1	27.3
Other impacts	– 12.8	– 2.9
Current income taxes	**– 81.9**	**– 99.5**

Baloise falls within the scope of the OECD rules on global minimum tax.

In the countries in which Baloise generates significant income (Switzerland, Germany, Belgium and Luxembourg), which are covered by the OECD rules on global minimum tax, the legislative position as at 31 December 2023 is that the national top-up tax applies with effect from 1 January 2024. Rules for international top-up taxes (Income Inclusion Rule from 1 January 2024 and Undertaxed Profits Rule from 1 January 2025) have also been signed off in all of these countries except Switzerland, where a decision will be made at a later date.

Under the global minimum tax rules, Baloise would be required to pay top-up tax in the event that, according to the OECD pillar two rules, the effective tax rate in a jurisdiction was below 15 per cent. The OECD has defined 15 per cent as the minimum tax rate.

Baloise has set up a Group-wide project in which it is analysing the detailed requirements regarding global minimum tax so that it can calculate the tax rates in accordance with the OECD pillar two rules and identify whether it will need to pay top-up tax and, if so, how much. At present, it is too early to provide reliable estimates of the quantitative impact of global minimum tax on Baloise.

Baloise is applying the temporary exception granted by IAS 12 that exempts it from recognising and disclosing deferred tax assets and liabilities in connection with the pillar two international tax reform (global minimum tax).

7.2 Deferred taxes in other comprehensive income

	2023			2022		
	Items not to be reclassified to the income statement	Items to be reclassified to the income statement	Total	Items not to be reclassified to the income statement	Items to be reclassified to the income statement	Total
CHF million						
Deferred taxes in other comprehensive income						
From financial instruments and loans FVOCI	–1.8	–73.8	**–75.6**	14.2	230.1	**244.3**
From hedging	–	–13.8	**–13.8**	–	1.9	**1.9**
From insurance finance income or expenses	–	16.5	**16.5**	–	–1.8	**–1.8**
From defined benefit pension plans	16.3	–	**16.3**	–62.9	–	**–62.9**
From other	–	0.4	**0.4**	–	–0.4	**–0.4**
Total deferred taxes in other comprehensive income	**14.4**	**–70.7**	**–56.2**	**–48.7**	**229.8**	**181.1**

7.3 Deferred tax assets and liabilities

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 372.4 million as at 31 December 2023 (previous year: CHF 283.3 million) that will expire after five years or more.

The Baloise Group had a tax credit of CHF 109.4 million as at 31 December 2023 (previous year: CHF 110.4 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 436.2 million as at 31 December 2023 (previous year: CHF 396.0 million) because the relevant offsetting criteria had not been met. Of this total, CHF 0.8 million will expire after one year (previous year: CHF: 1.4 million), CHF 12.6 million after two to four years (previous year: CHF 20.1 million) and CHF 422.8 million after five years or more (previous year: CHF 374.5 million).

	31.12.2023	31.12.2022
CHF million		
Deferred tax assets	1,428.4	1,726.6
Deferred tax liabilities	–1,640.7	–1,867.9
Total (net)	**–212.3**	**–141.4**
of which: recognised as deferred tax assets	207.1	239.3
of which: recognised as deferred tax liabilities	–419.4	–380.6

7.3.1 Deferred tax assets

2023	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							
Deferred tax assets							
Investments	998.6	-322.0	–	0.0	1.0	-31.9	**645.7**
Other comprehensive income	345.8	–	-54.8	–	–	-15.2	**275.8**
Tax credits and losses carried forward	76.9	26.7	–	–	–	-3.4	**100.2**
Insurance contract assets and liabilities	107.0	124.1	–	–	–	0.0	**231.0**
Reinsurance contract assets and liabilities	13.6	0.5	–	–	–	-0.5	**13.6**
Liabilities arising from financial contracts	32.7	11.2	–	–	–	-2.1	**41.8**
Liabilities arising from employee benefits	48.0	-3.0	–	–	–	-2.5	**42.6**
Other	103.9	-23.8	–	0.3	–	-2.7	**77.7**
Total deferred tax assets	**1,726.6**	**-186.3**	**-54.8**	**0.3**	**1.0**	**-58.3**	**1,428.4**

2022	Balance as at 1 January	Change recognised in profit or loss	Change recognised directly in equity	Change in the scope of consolidation	Reclassification in accordance with IFRS 5	Exchange differences	Balance as at 31 December
CHF million							
Deferred tax assets							
Investments	196.5	818.8	–	–	-0.4	-16.3	**998.6**
Other comprehensive income	161.1	–	193.9	–	–	-9.2	**345.8**
Tax credits and losses carried forward	83.2	-3.7	–	–	–	-2.6	**76.9**
Insurance contract assets and liabilities	1,102.7	-978.9	–	–	–	-16.8	**107.0**
Reinsurance contract assets and liabilities	19.5	-5.4	–	–	–	-0.5	**13.6**
Liabilities arising from financial contracts	32.6	1.7	–	–	–	-1.6	**32.7**
Liabilities arising from employee benefits	50.8	-0.6	–	–	–	-2.2	**48.0**
Other	97.6	9.0	–	0.1	–	-2.8	**103.9**
Total deferred tax assets	**1,744.2**	**-159.2**	**193.9**	**0.1**	**-0.4**	**-52.1**	**1,726.6**

7.3.2 Deferred tax liabilities

2023	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							
Deferred tax liabilities							
Property, plant and equipment	15.6	11.0	–	–	–	-0.9	**25.7**
Property, plant and equipment – buildings (FV – IFRS 17 VFA)	38.0	7.3	–	–	–	-1.3	**44.0**
Intangible assets	22.5	-13.6	–	–	–	-0.6	**8.2**
Long-term equity investments	87.1	78.8	–	–	–	-4.7	**161.2**
Investment property	479.6	-55.0	–	4.9	-0.1	-7.8	**421.5**
Financial assets	272.9	-72.5	–	–	–	-12.4	**188.1**
Other comprehensive income	120.9	–	1.4	0.0	–	-4.7	**117.6**
Insurance contract assets and liabilities	698.3	-95.2	–	–	–	-28.6	**574.5**
Reinsurance contract assets and liabilities	34.4	-22.8	–	–	–	-0.8	**10.8**
Other	98.5	-8.6	–	-0.3	–	-0.6	**89.1**
Total deferred tax liabilities	**1,867.9**	**-170.6**	**1.4**	**4.6**	**-0.1**	**-62.4**	**1,640.7**

2022	Balance as at 1 January	Change recognised in profit or loss	Change recognised directly in equity	Change in the scope of consolidation	Reclassification in accordance with IFRS 5	Exchange differences	Balance as at 31 December
CHF million							
Deferred tax liabilities							
Property, plant and equipment	14.1	1.9	–	–	–	-0.4	**15.6**
Property, plant and equipment – buildings (FV – IFRS 17 VFA)	30.3	8.5	–	–	–	-0.8	**38.0**
Intangible assets	23.9	-0.4	–	–	–	-1.1	**22.5**
Long-term equity investments	66.1	22.1	–	–	–	-1.1	**87.1**
Investment property	460.4	29.8	–	–	-2.2	-8.3	**479.6**
Financial assets	946.4	-653.7	–	–	–	-19.8	**272.9**
Other comprehensive income	111.8	–	12.8	–	–	-3.6	**120.9**
Insurance contract assets and liabilities	280.7	431.5	–	–	–	-13.9	**698.3**
Reinsurance contract assets and liabilities	23.0	12.1	–	–	–	-0.7	**34.4**
Other	78.2	21.0	–	–	–	-0.6	**98.5**
Total deferred tax liabilities	**2,034.8**	**-127.1**	**12.8**	**–**	**-2.2**	**-50.3**	**1,867.9**

8. Other income statement line items

8.1 Income from services rendered

CHF million	2023	2022
Asset management	22.7	25.6
Services	55.5	32.5
Banking services	41.4	39.8
Investment management	22.1	20.4
Income from services rendered	**141.7**	**118.3**

8.2 Other operating income

CHF million	2023	2022
Gains on disposal of intangible assets and property, plant and equipment	0.5	0.3
Currency gains on assets and liabilities	30.4	10.8
External income from owner-occupied property	2.3	1.8
Income from development properties	1.2	28.3
Other income	127.2	78.8
Other operating income	**161.6**	**120.0**

8.3 Personnel expenses and depreciations / impairments

CHF million	2023	2022
Personnel expenses	–1,024.5	–968.6
Depreciation and impairment of property, plant and equipment	–22.9	–30.1
Amortisation and impairment of intangible assets	–53.1	–48.9
Total depreciation / amortisation and impairments	**–76.0**	**–79.1**

9. Other balance sheet line items

9.1 Property, plant and equipment

2023	Land	Buildings	Owner-occupied properties FVPL	Operating equipment	Other	Right-of-use assets	Total
CHF million							
Balance as at 1 January	**11.7**	**54.4**	**466.0**	**7.1**	**29.9**	**25.5**	**594.6**
Additions	–	0.5	2.9	0.8	14.9	46.6	**65.7**
Additions arising from change in the scope of consolidation	–	–	–	–	0.2	–	**0.2**
Disposals	0.0	–	–	–	–0.4	–0.4	**–0.8**
Disposals arising from change in the scope of consolidation	–	–	–	–0.1	0.0	–0.5	**–0.6**
Reclassification	0.0	–	30.7	–	–	–	**30.7**
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–	**–**
Depreciation and impairment[1]	–	0.7	–	–1.6	–10.0	–12.0	**–22.9**
Depreciation	–	–3.2	–	–1.6	–10.0	–12.0	**–26.8**
Impairment losses recognised in profit or loss	–	–	–	–	–	–	**–**
Reversal of impairment losses recognised in profit or loss	–	3.9	–	–	–	–	**3.9**
Changes in fair value	–	–	–16.0	–	–	–	**–16.0**
Exchange differences	–0.3	–1.7	–9.4	–0.2	–0.9	–2.2	**–14.8**
Balance as at 31 December	**11.4**	**53.9**	**474.2**	**6.0**	**33.6**	**57.0**	**636.1**
Acquisition costs	12.2	174.1	–	30.2	142.9	122.6	**–**
Accumulated depreciation and impairment	–0.8	–120.3	–	–24.1	–109.3	–65.6	**–**
Balance as at 31 December	**11.4**	**53.9**	**474.2**	**6.0**	**33.6**	**57.0**	**636.1**

1 Depreciation and impairment form part of other operating expenses.

During the reporting period, an owner-occupied property measured at FVPL with a fair value of CHF 5.1 million was reclassified as an investment property. Also during the reporting period, an investment property with a fair value of CHF 35.8 million was reclassified as an owner-occupied property measured at FVPL. Both of these reclassifications were carried out due to the change of use of the properties.

The change in value, recognised in profit or loss, of the owner-occupied properties measured at FVPL and held as at the balance sheet date amounted to CHF –16.0 million in 2023 (previous year: CHF 29.3 million).

The fair value of the owner-occupied properties measured at FVPL is determined using the DCF method. Measurement is carried out annually by internal experts and at regular intervals by external property valuers. As is the case for investment properties, owner-occupied properties measured at FVPL are assigned to level 3. Details of assignment to the different levels of the hierarchy can be found in note 4.5.

2022	Land	Buildings	Owner-occupied properties FVPL	Operating equipment	Other	Right-of-use assets	Total
CHF million							
Balance as at 1 January	**12.5**	**61.0**	**418.8**	**7.5**	**34.0**	**26.3**	**560.0**
Additions	–	0.3	0.5	2.3	10.2	12.3	**25.6**
Additions arising from change in the scope of consolidation	–	–	–	–	–	–	**–**
Disposals	– 0.5	– 2.3	–	– 0.6	– 0.3	– 0.8	**– 4.6**
Disposals arising from change in the scope of consolidation	–	–	–	–	–	–	**–**
Reclassification	–	–	24.1	–	–	–	**24.1**
Reclassification to non-current assets classified as held for sale	–	–	–	–	–	–	**–**
Depreciation and impairment[1]	–	– 3.2	–	– 1.9	– 13.3	– 11.7	**– 30.1**
Depreciation	–	– 3.2	–	– 1.9	– 13.3	– 11.7	**– 30.1**
Impairment losses recognised in profit or loss	–	–	–	–	–	–	**–**
Reversal of impairment losses recognised in profit or loss	–	–	–	–	–	–	**–**
Changes in fair value	–	–	29.3	–	–	–	**29.3**
Exchange differences	– 0.3	– 1.4	– 6.8	– 0.2	– 0.6	– 0.6	**– 9.8**
Balance as at 31 December	**11.7**	**54.4**	**466.0**	**7.1**	**29.9**	**25.5**	**594.6**
Acquisition costs	12.6	176.8	–	30.9	146.8	80.9	**–**
Accumulated depreciation and impairment	– 0.9	– 122.4	–	– 23.7	– 116.9	– 55.5	**–**
Balance as at 31 December	**11.7**	**54.4**	**466.0**	**7.1**	**29.9**	**25.5**	**594.6**

1 Depreciation and impairment form part of other operating expenses.

9.2 Intangible assets

	2023			2022		
	Goodwill	Software and other intangible assets	Total	Goodwill	Software and other intangible assets	Total
CHF million						
Balance as at 1 January	**96.3**	**141.1**	**237.4**	**99.9**	**165.9**	**265.8**
Additions	–	40.1	**40.1**	–	31.3	**31.3**
Additions arising from change in the scope of consolidation	0.0	3.1	**3.1**	–	–	**–**
Disposals	–	-2.3	**-2.3**	–	-0.8	**-0.8**
Disposals arising from change in the scope of consolidation	0.0	-0.7	**-0.8**	–	–	**–**
Reclassification to non-current assets classified as held for sale	–	–	**–**	–	–	**–**
Amortisation and impairment	–	-53.1	**-53.1**	–	-48.9	**-48.9**
Amortisation	–	-53.1	**-53.1**	–	-48.9	**-48.9**
Impairment losses recognised in profit or loss	–	–	**–**	–	–	**–**
Reversal of impairment losses recognised in profit or loss	–	–	**–**	–	–	**–**
Exchange differences	-4.2	-5.4	**-9.6**	-3.6	-6.4	**-10.0**
Balance as at 31 December	**92.1**	**122.7**	**214.8**	**96.3**	**141.1**	**237.4**
Acquisition costs	237.6	701.8	**939.4**	241.8	700.2	**942.0**
Accumulated amortisation and impairment	-145.5	-579.1	**-724.6**	-145.5	-559.1	**-704.6**
Balance as at 31 December[1]	**92.1**	**122.7**	**214.8**	**96.3**	**141.1**	**237.4**
By strategic business unit						
Switzerland	25.6	37.6	**63.2**	25.6	34.6	**60.2**
Germany	13.5	0.9	**14.3**	14.3	1.0	**15.3**
Belgium	33.3	38.4	**71.7**	35.4	57.6	**93.0**
Luxembourg	19.7	3.6	**23.3**	20.9	4.9	**25.9**
Group business	–	42.3	**42.3**	–	43.0	**43.0**
Balance as at 31 December	**92.1**	**122.7**	**214.8**	**96.3**	**141.1**	**237.4**

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

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 12.7.3.

	Goodwill as at 31.12. CHF million		Discount rate per cent		Growth rate per cent	
	2023	2022	2023	2022	2023	2022
Baloise Insurance Ltd	25.6	25.6	8.1	7.1	1.0	1.0
Baloise Financial Services GmbH	11.8	12.5	8.1	7.1	1.0	1.0
Baloise Vie Luxembourg S.A.	7.2	7.7	8.5	7.7	2.5	2.5
Baloise Assurances Luxembourg S.A.	12.0	12.8	8.5	7.7	2.5	2.5
Baloise Belgium NV	32.3	34.3	8.6	7.6	2.6	2.5

The impairment test in 2023 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 2023 or in 2022, to the carrying amount of an entity being significantly higher than its recoverable value.

9.3 Other assets

	31.12.2023	31.12.2022
CHF million		
Accrued income	32.4	31.6
Development properties	3.0	3.0
Tax credits indirect taxes (withholding tax etc.)	34.6	51.7
Other assets	33.0	39.2
Impairments	–2.7	–2.5
Total other assets	**100.3**	**123.1**

9.4 Share capital

2023	Number of treasury shares	Number of shares in circulation	Number of shares issued	Share capital (CHF million)
Balance as at 1 January	**545,636**	**45,254,364**	**45,800,000**	**4.6**
Purchase / sale of treasury shares	–159,296	159,296	–	–
Capital increases	–	–	–	–
Share buy-back and cancellation	–	–	–	–
Balance as at 31 December	**386,340**	**45,413,660**	**45,800,000**	**4.6**

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

The share capital of Baloise Holding Ltd totals CHF 4.6 million and is divided into 45,800,000 registered, fully paid-up registered shares with a par value of CHF 0.10 each (previous year: 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 28 April 2023 voted in favour of a total dividend distribution of CHF 338.9 million for the 2022 financial year. This amounts to a gross dividend of CHF 7.40 per share. Excluding the treasury shares held by Baloise Holding Ltd at the time that the dividend was paid, the total distribution effectively amounted to CHF 335.3 million.

For the 2023 financial year, a total dividend distribution of CHF 352.7 million will be proposed for approval at the Annual General Meeting on 26 April 2024. This amounts to a gross dividend of CHF 7.70 per share. The dividend distribution will be recognised upon approval at the Annual General Meeting.

9.5 Other reserves

2023	from financial instruments and loans	from hedging	from insurance business	from defined benefit pension plans	from foreign currency translation	from other	Total
CHF million							
Balance as at 1 January	**-585.7**	**110.6**	**-67.0**	**-108.5**	**-1,189.0**	**34.3**	**-1,805.3**
Other comprehensive income from items not to be reclassified to the income statement							
Gains and losses arising during the reporting period	6.4	–	–	-77.1	–	–	**-70.6**
Deferred taxes	-1.8	–	–	16.3	–	–	**14.4**
Exchange differences	-3.4	–	–	5.7	–	0.1	**2.5**
Total other comprehensive income from items not to be reclassified to the income statement	**1.2**	**–**	**–**	**-55.1**	**–**	**0.1**	**-53.7**
Other comprehensive income from items to be reclassified to the income statement							
Gains and losses arising during the reporting period	333.2	118.1	-85.2	–	-330.6	-1.3	**34.2**
Gains and losses reclassified to the income statement	-1.5	-27.1	–	–	2.5	–	**-26.1**
ECL on financial instruments (FVOCI)	3.1	–	–	–	–	–	**3.1**
Deferred taxes	-73.8	-13.8	16.5	–	–	0.4	**-70.7**
Exchange differences	27.6	–	4.6	–	–	-1.3	**30.9**
Total other comprehensive income from items to be reclassified to the income statement	**288.7**	**77.2**	**-64.1**	**–**	**-328.1**	**-2.2**	**-28.6**
Total other comprehensive income	**289.9**	**77.2**	**-64.1**	**-55.1**	**-328.1**	**-2.1**	**-82.3**
Other reserves reclassified directly to retained earnings	-7.1	–	–	–	–	–	**-7.1**
Balance as at 31 December	**-303.0**	**187.8**	**-131.1**	**-163.5**	**-1,517.1**	**32.2**	**-1,894.8**
of which: shareholders							**-1,892.6**
of which: non-controlling interests							**-2.2**

2022	from financial instruments and loans	from hedging	from insurance business	from defined benefit pension plans	from foreign currency translation	from other	Total
CHF million							
Balance as at 1 January (restated)	**262.8**	**121.1**	**-145.2**	**-276.1**	**-1,065.8**	**34.8**	**-1,068.3**
Other comprehensive income from items not to be reclassified to the income statement							
Gains and losses arising during the reporting period	-55.3	–	–	222.0	–	–	**166.7**
Deferred taxes	14.2	–	–	-62.9	–	–	**-48.7**
Exchange differences	-3.3	–	–	8.6	–	0.0	**5.3**
Total other comprehensive income from items not to be reclassified to the income statement	**-44.4**	**–**	**–**	**167.6**	**–**	**0.0**	**123.3**
Other comprehensive income from items to be reclassified to the income statement							
Gains and losses arising during the reporting period	-1,018.9	-11.9	79.0	–	-123.2	1.4	**-1,073.6**
Gains and losses reclassified to the income statement	-2.6	-0.4	0.0	–	–	–	**-3.0**
ECL on financial instruments (FVOCI)	11.3	–	–	–	–	–	**11.3**
Deferred taxes	230.1	1.9	-1.8	–	–	-0.4	**229.8**
Exchange differences	2.9	–	1.0	–	–	-1.1	**2.7**
Total other comprehensive income from items to be reclassified to the income statement	**-777.2**	**-10.5**	**78.2**	**–**	**-123.2**	**-0.1**	**-832.8**
Total other comprehensive income	**-821.6**	**-10.5**	**78.2**	**167.6**	**-123.2**	**-0.1**	**-709.5**
Other reserves reclassified directly to retained earnings	-27.0	–	–	–	–	-0.5	**-27.5**
Balance as at 31 December	**-585.7**	**110.6**	**-67.0**	**-108.5**	**-1,189.0**	**34.3**	**-1,805.3**
of which: shareholders							**-1,803.3**
of which: non-controlling interests							**-2.1**

9.6 Non-technical provisions

	2023			2022		
	Restructuring	Other	Total	Restructuring	Other	Total
CHF million						
Balance as at 1 January	**8.1**	**104.4**	**112.5**	**8.7**	**127.7**	**136.4**
Additions arising from change in scope of consolidation	–	–	**–**	–	–	**–**
Disposals arising from change in scope of consolidation	–	–	**–**	–	–	**–**
Reclassification to non-current assets classified as held for sale	–	–	**–**	–	–	**–**
Increases and additional provisions recognised in profit or loss	–	15.8	**15.8**	2.6	1.5	**4.0**
Unused provisions reversed through profit or loss	–	–6.5	**–6.5**	–0.2	–14.9	**–15.1**
Usage not recognised in profit or loss	–3.1	–1.9	**–5.1**	–2.5	–6.2	**–8.8**
Unwinding of discount	–	0.0	**0.0**	–	–	**–**
Exchange differences	–0.3	–4.5	**–4.8**	–0.4	–3.6	**–4.0**
Balance as at 31 December	**4.6**	**107.3**	**111.9**	**8.1**	**104.4**	**112.5**

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 recognition of other non-technical provisions in profit or loss and their usage recognised or not recognised in profit or loss primarily relate to the Swiss and Luxembourg entities.

10. Other disclosures

10.1 Earnings per share

	2023	2022
Profit for the period attributable to shareholders (CHF million)	239.6	247.8
Average number of shares outstanding	45,298,246	45,176,614
Basic earnings per share (CHF)	**5.29**	**5.49**

	2023	2022
Profit for the period attributable to shareholders (CHF million)	**239.6**	**247.8**
Average number of shares outstanding	45,298,246	45,176,614
Adjustment due to theoretical exercise of share-based payment plans	–	20,193
Adjusted average number of shares outstanding	**45,298,246**	**45,196,807**
Diluted earnings per share (CHF)	**5.29**	**5.48**

In 2023, earnings per share was not affected by any dilutive effects. The dilution of earnings for 2022 was attributable to the Performance Share Units (PSUs) share-based payment plan.

10.2 Long-term equity investments and structure of the Baloise Group

10.2.1 Acquisition and disposal of companies

	Cumulative acquisitions		Cumulative disposals	
	2023	2022	2023	2022
CHF million				
Investments	–	–	2.6	–
Other assets	–	–	17.5	–
Cash and cash equivalents	–	–	8.9	–
(Re)insurance assets and liabilities	–	–	–	–
Other accounts payable	–	–	–20.6	–
Non-controlling interests	–	–	–2.1	–
Net assets acquired / disposed of	**–**	**–**	**6.2**	**–**
Funds used / received for acquisitions and disposals				
Cash and cash equivalents	–	–	24.9	–
Offsetting	–	–	–	–
Transfer of assets	–	–	–	–
Directly attributable costs	–	–	–	–
Equity instruments issued	–	–	–	–
Reclassification of investments in associates and joint ventures	–	–	–	–
Acquisition / disposal price	**–**	**–**	**24.9**	**–**
Net assets acquired / disposed of	–	–	–6.2	–
Other comprehensive income[1]	–	–	0.1	–
Current year earnings of disposed companies	–	–	–1.3	–
Goodwill / negative goodwill or proceeds from disposals	**–**	**–**	**17.5**	**–**
Cash and cash equivalents used / received for acquisitions and disposals	–	–	24.9	–
Cash and cash equivalents acquired / disposed of	–	–	–8.9	–
Outflow / inflow of cash and cash equivalents	**–**	**–**	**16.0**	**–**

1 This includes primarily historical cumulative exchange differences.

On 5 December 2023, Baloise sold its 74.75 per cent stake in the subsidiary Haakon AG and Haakon AG's wholly owned subsidiary, Haakon Asia Ltd. Haakon AG and its subsidiary operate as reinsurance brokers. The gain on the sale was an amount in the low double-digit millions and was posted as other operating income in the Group business segment.

No companies had been acquired or sold in 2022.

This table does not include step acquisitions or purchases of real-estate companies that, according to the provisions of IFRS 3 Business Combinations, do not constitute a business, which means that these purchases are classified as the acquisition of assets. That is why the outflows and inflows of cash and cash equivalents vary from the presentation in the cash flow statement.

10.2.2 Changes to shareholdings

There were no transactions resulting in a change of control over a subsidiary in 2023, as had also been the case in 2022.

10.2.3 Investments in associates and joint ventures

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

	2023	2022
CHF million		
Carrying amount	318.1	344.7

	2023	2022
CHF million		
Baloise's share of		
Profit or loss for the period from continuing operations	– 20.7	4.9
Profit or loss for the period from discontinued operations	–	–
Profit or loss for the period from disposal groups pursuant to IFRS 5	–	–
Other comprehensive income	– 1.3	1.4
Share of comprehensive income	**– 22.0**	**6.3**

In the second half of 2023, the Baloise Group acquired 50 percent stakes in two real estate investment companies headquartered in Belgium. These stakes are classified and reported as joint ventures.

In February 2022, the Baloise Group acquired 30.2 per cent of the German company MOBIKO, thus expanding its Mobility ecosystem with the acquisition of a service provider that adds value for businesses and their employees. As a result of further shares being acquired, the long-term equity investment increased to 39.4 per cent in August 2022. As a result of further shares being acquired in June 2023, the stake increased again to reach 49.4 per cent.

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

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

As at 31 December 2023 or 31 December 2022, 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 2023 or 31 December 2022.

10.2.4 Other changes in the scope of consolidation

On 13 September 2023, the real-estate company Souverain 25 NV, located in Woluwe-Saint-Pierre, Belgium, was acquired. Its sole property is the Royale Belge office building. The purchase is classified as the acquisition of assets.

The long-term equity investment in FRIDAY Insurance S.A. increased by 0.8 per cent to a total of 89.4 per cent in 2023 as a result of an additional capital transaction.

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

	31.12.2023			31.12.2022		
	Disposal groups	**Non-current assets**	**Total**	**Disposal groups**	**Non-current assets**	**Total**
CHF million						
Property, plant and equipment	–	–	**–**	–	–	**–**
Intangible assets	–	–	**–**	–	–	**–**
Investment property	–	–	**–**	–	136.8	**136.8**
Financial instruments with characteristics of equity and debt	–	–	**–**	–	–	**–**
Mortgages and loans	–	–	**–**	–	–	**–**
Derivative financial instruments	–	–	**–**	–	–	**–**
Insurance and reinsurance contract assets	10.3	–	**10.3**	9.8	–	**9.8**
Financial receivables	80.8	–	**80.8**	95.8	–	**95.8**
Other assets	–	–	**–**	–	–	**–**
Cash and cash equivalents	–	–	**–**	–	–	**–**
Total assets	**91.1**	**–**	**91.1**	**105.6**	**136.8**	**242.4**
Insurance and reinsurance contract liabilities	154.7	–	**154.7**	150.8	–	**150.8**
Liabilities arising from financial contracts	–	–	**–**	–	–	**–**
Other liabilities	–0.2	0.2	**–**	–	2.2	**2.2**
Total equity and liabilities	**154.5**	**0.2**	**154.7**	**150.8**	**2.2**	**152.9**
Unrealised losses directly associated with non-current assets and disposal groups classified as held for sale	**0.8**	**–**	**0.8**	**–7.9**	**–**	**–7.9**

Baloise intends to dispose of the German run-off portfolio for hospital liability insurance and regards the IFRS 5 criteria as still being met at the end of 2023. In accordance with IFRS 5, the corresponding assets and liabilities were reclassified for the first time as at 30 June 2022. The reclassification relates to the Group business segment.

In 2023, six investment properties held for sale, which had a total fair value of CHF 56.4 million were reclassified as investment properties again as the parties to the sale were unable to reach an agreement. The remaining seven investment properties held for sale in 2022 were sold, and no investment properties were held for sale as at 31 December 2023.

10.2.6 Significant subsidiaries

Entities are defined as significant if they either individually or together contribute a significant proportion of the insurance contracts, 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.

31.12.2023	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)
Switzerland								
Baloise Holding Ltd, Basel	Holding	O	Holding	Holding	F	CHF	4.6	3,424.0
Baloise Insurance Ltd, Basel	Non-Life	NL	100.00	100.00	F	CHF	75.0	4,981.6
Baloise Life Ltd, Basel	Life	L	100.00	100.00	F	CHF	50.0	30,431.4
Baloise Bank SoBa AG, Solothurn	Banking	B	100.00	100.00	F	CHF	50.0	8,713.2
Baloise Asset Management Schweiz AG, Basel	Investment management	B	100.00	100.00	F	CHF	1.0	55.7
Baloise Asset Management International AG, Basel	Investment consulting	B	100.00	100.00	F	CHF	1.5	8.8
	Other	B	100.00	100.00	F	EUR	0.1	7.7
Germany								
Baloise Lebensversicherung AG, Hamburg	Life	L	100.00	100.00	F	EUR	22.0	8,950.0
Baloise Sachversicherung AG, Bad Homburg	Non-Life	NL	100.00	100.00	F	EUR	15.1	1,806.7
Deutsche Niederlassung der FRIDAY Insurance S.A., Berlin	Non-Life	NL	89.41	100.00	F	EUR	–	63.4
Baloise Sach Holding AG, Hamburg	Holding	O	100.00	100.00	F	EUR	3.6	172.9

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

31.12.2023	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)
Belgium								
Baloise Belgium NV, Antwerp	Life and Non-Life	L/NL	100.00	100.00	F	EUR	355.3	11,995.8
Euromex NV, Antwerp	Non-Life	NL	100.00	100.00	F	EUR	2.7	262.4
Luxembourg								
Baloise Luxembourg Holding S.A., Bertrange (Luxembourg)	Holding	O	100.00	100.00	F	CHF	250.0	1,921.9
Baloise Assurances Luxembourg S.A., Bertrange (Luxembourg)	Non-Life	NL	100.00	100.00	F	EUR	15.8	358.2
Baloise Vie Luxembourg S.A., Bertrange (Luxembourg)	Life	L	100.00	100.00	F	EUR	32.7	10,928.0
Baloise Private Equity (Luxembourg) SCS, Luxembourg	Investment management	L/NL	100.00	100.00	F	USD	– 0.0	868.0
Baloise Alternative Invest S.A. SICAV-RAIF, Luxembourg	Investment management	L/NL/O	100.00	100.00	F	USD	–	1,283.0
Other territories								
Baloise Life (Liechtenstein) AG, Balzers	Life	L	100.00	100.00	F	CHF	7.5	2,169.8
Succursale francaise de la société FRIDAY Insurance S.A., Paris	Non-Life	NL	89.41	100.00	F	EUR	–	8.7

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.

10.3 Contingent and future liabilities

10.3.1 Contingent liabilities

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 2023 and that could have a significant impact on the 2023 consolidated annual financial statements.

Guarantees and collateral for the benefit of third parties

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

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

CHF million	31.12.2023	31.12.2022
Guarantees	55.6	45.8
Collateral	495.4	459.7
Total guarantees and collateral for the benefit of third parties	**551.0**	**505.4**

Credit ratings of guarantees and collateral

CHF million	31.12.2023	31.12.2022
Guarantees		
Very low credit risk (AAA)	–	–
Low credit risk (AA to A)	41.7	30.5
Moderate / medium credit risk (BBB)	–	–
High credit risk or no rating (BB and lower or no rating)	14.0	15.2
Total	**55.6**	**45.8**
Collateral		
Very low credit risk (AAA)	–	–
Low credit risk (AA to A)	–	–
Moderate / medium credit risk (BBB)	–	–
High credit risk or no rating (BB and lower or no rating)	495.4	459.7
Total	**495.4**	**459.7**

Pledged or ceded assets, securities lending assets and collateral held

Carrying amounts of assets pledged or ceded as collateral

	31.12.2023	31.12.2022
CHF million		
Financial assets under repurchase agreements	–	237.6
Financial assets in the context of securities lending	1,941.2	3,264.5
Investments	3,290.1	3,048.9
Pledged intangible assets	–	–
Pledged property, plant and equipment	–	–
Other	–	–
Total	**5,231.3**	**6,551.0**

Fair value of collateral held

	31.12.2023	31.12.2022
CHF million		
Financial assets under reverse repurchase agreements	1,017.0	464.1
Financial assets in the context of securities lending	2,233.9	3,594.4
Other	–	–
Total	**3,251.0**	**4,058.4**
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.

10.3.2 Future liabilities

Capital commitments

CHF million	31.12.2023	31.12.2022
Commitments undertaken for future acquisition of		
Investment property	88.3	186.7
Financial assets	2,901.8	1,845.1
Property, plant and equipment	–	–
Intangible assets	–	–
Total commitments undertaken	**2,990.0**	**2,031.8**
of which: in connection with joint ventures	–	–
of which: own share of joint ventures' capital commitments	–	–

CHF million	31.12.2023	31.12.2022
Capital commitments		
Very low credit risk (AAA)	4.7	–
Low credit risk (AA to A)	3.2	14.5
Moderate/medium credit risk (BBB)	–	–
High credit risk or no rating (BB and lower or no rating)	2,982.2	2,017.3
Total	**2,990.0**	**2,031.8**

Obligations undertaken by the Baloise Group to make future purchases of investments include commitments in respect of private equity, which constitute unfunded commitments to invest directly in private equity or to invest in private equity funds. From 2020 onwards, additional investment obligations in connection with the Dutch mortgage fund will be reported under commitments regarding the future acquisition of investments.

10.4 Related party transactions

In the course of its ordinary operating activities, the Baloise Group conducts transactions with associates, key management personnel and related parties.

The executive management team consists of the members of Baloise Holding Ltd's Board of Directors and Corporate Executive Committee.

Related party transactions

	Paid premiums		Investment income		Expenses		Mortgages and loans		Liabilities	
	2023	2022	2023	2022	2023	2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
CHF million										
Associates and joint ventures	–	–	–1.0	2.7	–16.3	–18.2	44.0	–	–2.4	–2.5
Key management personnel	0.1	0.1	0.0	0.0	–10.4	–11.1	4.6	6.1	–	–

Executive management team remuneration

	2023	2022
CHF million		
Short-term employee benefits	–6.1	–6.4
Post-employment benefits	–1.1	–1.0
Payments under share-based payment plans	–3.2	–3.6
Total	**–10.4**	**–11.1**

9,955 shares worth CHF 1.6 million were repurchased from members of the Corporate Executive Committee in 2023 (previous year: CHF 2.8 million) under the Share Participation Plan (note 6.4.3).

10.5 Events after the balance sheet date

By the time that these consolidated annual financial statements had been completed on 22 March 2024, we had not become aware of events that would have a material impact on the consolidated annual financial statements as a whole.

11. Risk management

The Baloise Group offers its customers non-life and life insurance, asset management services and, in Switzerland, banking products. In the course of its business, the Baloise Group is exposed to a number of different risks.

11.1 Organisation of risk management in the Baloise Group

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.

Within the Baloise Group and within each business unit, a risk owner is responsible for each individual risk that has been identified. The Group's overall risk owner is the Chief Executive Officer of the Baloise Group. Alongside the risk owners, defined risk controllers are responsible for independently assessing the risks. When selecting risk controllers, particular care is taken to ensure that their role is independent of the risk they control. The overall risk controller is the Chief Executive Officer of the Baloise Group.

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 Baloise Group's risk map is a categorisation of the risks it has identified. The risks are divided into three levels: Category of risk

- 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.

Various limits and rules covering business risk and investment risk are in place, such as underwriting and investment guidelines, which restrict identified individual risks to an acceptable level or eliminate them altogether.

Risk control within the Baloise Group focuses on business risk (actuarial and banking risks), investment risk, risks to the Group's financial structure and operational risks including compliance.

Separate reporting is undertaken for each identified risk category. To this end, each business unit compiles an ORSA (Own Risk and Solvency Assessment) report. Senior management signs off the ORSA reports and takes account of business strategy and risk strategy considerations in its decisions.

The information below is based on the risk terminology in IFRS 7 Financial Instruments: Disclosures and IFRS 17 Insurance Contracts and can diverge from the terminology and structure in the risk map.

Risk Map

Business Risks

Actuarial Risks Life
- Parameter Risks
- Catastrophe Risks

Actuarial Risks Non-Life
- Premiums
- Claims
- Catastrophe Risks
- Reserving

Reinsurance
- Premiums / Pricing
- Reinsurance Default
- Active Reinsurance

Investment Risks

Market Risks
- Interest Rates
- Equities
- Currencies
- Real Estate
- Market Liquidity
- Derivatives
- Alternative Investments

Credit Risks

Financial Structure Risks

Asset-Liability Risks
- Interest Rate Change Risk
- (Re)Financing, Liquidity

Risk Concentration
- Accumulation Risks
- Cluster Risks

Balance Sheet Structure and Capital Requirements
- Solvency
- Other Regulatory Requirements

Business Environment Risks

Change in Standards

Competition Risks

External Events

Investors

Operational Risks

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

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

Legal Risks
- Contracts
- Liability and Litigations
- Tax

Compliance

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

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

Leadership and Information Risk

Organisational Structure

Corporate Culture

Business Strategy
- Business Portfolio
- Risk Steering
- Sustainability

Mergers and Acquisitions

External Communication
- External Reporting
- Reputation Management

Financial Statements, Forecast, Planning

Project Portfolio

Internal Misinformation

11.2 Material risk from underwritten policies

Risk arising from insurance business is presented below for non-life insurance and life insurance in line with the following breakdown of the Baloise Group's portfolio. The life insurance business comprises savings business, risk business and unit-linked and similar contracts. The Baloise Group also writes financial contracts in the banking business and financial contracts with characteristics of unit-linked contracts without significant insurance risk.

The intention of the sensitivities described in notes 11.2.1, 11.2.2 and 11.3.1 is to show possible effects on the results given that crucial effects in the reporting period would show a different realisation. The magnitude of the sensitivities chosen is such that it corresponds to roughly a 90% quantile for the risk factor considered, where precedence has been given to simple numbers in the magnitude over the quantile. For sensitivities with a potential material asymmetry, both upside and downside shocks have been calculated, for the others the downside shock only, assuming a response of the same size but opposite sign for a shock in the other direction. The effect shown in the sensitivities on the insurance contracts is either a direct effect from stressed fulfilment cash flows or the indirect effect from a stressed fair value of the underlying items. This fair value of the underlying items denotes the fair value of assets backing liabilities in either the VFA or GMM approach. All sensitivities are shocks which take effect at the end of the period and therefore do not stress the effective cash flows which occurred in the period.

11.2.1 Non-life insurance

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

Actuarial risk in non-life business comprises claims risk and risk from the recognition of reserves. Claims risk describes the risk that claims not yet incurred will turn out to be larger than anticipated or occur more frequently than anticipated in future (e.g. due to natural disasters or due to changes in legislation). Risk from the recognition of reserves describes the risk that reserves recognised for future claim payments for claims already incurred are insufficient (e.g. due to inflation for divisions which take a long time to process claims).

Contacts in the non-life business are also exposed to market risk, credit risk and liquidity risk.

Management of risk

Baloise counters actuarial risk with an appropriate underwriting strategy (underwriting limits and risk assessment), extensive analysis of claims and dangers and a reinsurance strategy that is tailored to the portfolio.

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.

The entire insurance business is comprehensively analysed on a regular basis. The results of this analysis are taken into account when recognising reserves, setting insurance rates, designing insurance products and formulating reinsurance contracts. In non-life business, the exposure and the appropriate level of risk transfer are analysed and determined in collaboration with reinsurers and brokers.

Building on this analysis, Group Reinsurance structures and places in the market the Baloise Group's non-life treaty reinsurance for all business units in the Corporate Division Finance. When structuring the programmes, Group Reinsurance focuses on the risk-bearing capacity of the Baloise Group as a whole.

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 is therefore placed by the business units themselves.

For its exposure to natural disasters the Baloise Group purchased reinsurance cover of up to CHF 500 million in total. In addition, Baloise Insurance Ltd Switzerland purchased reinsurance cover of up to CHF 800 million for earthquakes and Baloise Belgium NV purchased reinsurance cover of up to CHF 700 million for storms and tempests.

Risk exposure and risk concentration

The table below provides information on the risk exposure and risk concentration for each division. Contracts comprising several types of cover were separated by risk for this breakdown. Where separation did not make sense, the contract was assigned to the division with the largest risk exposure.

	Insurance revenue		Liability for incurred claims	
as at 31.12.	**2023**	**2022**	**2023**	**2022**
CHF million				
Motor – liability	629.2	640.0	1,299.9	1,325.1
Motor – hull	616.9	612.5	103.7	101.6
General liability – private	109.5	109.8	124.2	124.2
General liability – commercial	269.8	259.0	688.0	711.1
Accident (incl. Swiss accident business (UVG))	238.8	213.7	1,292.6	1,269.9
Other accident	207.8	209.9	284.5	270.5
Health	181.4	179.6	143.5	138.5
Property – private customers	782.1	756.4	305.2	298.2
Property – small and medium-sized enterprises	600.6	574.1	559.0	503.5
Marine	250.5	259.8	258.7	221.0
Other	126.3	121.6	120.0	122.8
Total	**4,013.0**	**3,936.5**	**5,179.3**	**5,086.4**

Assumptions

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. The reserve for claims handling costs assumes that costs will follow previous patterns. 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.

In many cases, the assumptions used in the measurement of current pension obligations are based on the criteria prescribed by the regulatory authorities (e.g. mortality tables). The adequacy of these annuity reserves is reviewed annually and the reserves strengthened accordingly in the event of a shortfall.

The Baloise Group has not changed its method of determining the material assumptions for insurance risk compared with the prior year.

Sensitivity analysis

For contracts in non-life business, the sensitivities reflect the effect of a 10 per cent increase in the reserve required for all loss or damage already incurred and the effect of a 10 per cent increase in the loss or damage expected for coverage yet to be provided. For coverage yet be to be provided, the negative effect of the sensitivity at the level of the individual group of insurance contracts is netted, where permissible, with any positive margin as at the reporting date.

	Impact on profit for the period		Impact on equity (incl. profit for the period)	
	2023	2022	2023	2022
CHF million				
LIC increase +10%[1]				
before reinsurance	– 387.0	– 398.4	– 387.6	– 352.0
after reinsurance	– 347.5	– 381.6	– 349.2	– 337.3
Increase in the expected claims in the FCFs in LRC +10%[2]				
before reinsurance	– 38.4	– 41.8	– 38.4	– 37.1
after reinsurance	– 35.3	– 41.8	– 35.3	– 37.1

1 This sensitivity examines the effect of a relative change of the LIC (excluding payables and receivables) by 10%.
2 This sensitivity examines the effect of a relative change of the expected future claims in the LRC of PAA contracts by 10%, increasing existing loss components or leading to new ones.

11.2.2 Life insurance

Savings and risk business

Savings and risk life insurance business generally comprises long-dated contracts that entail a significant exposure to at least one of the following biometric risks:

- Longevity risk for pension and pure endowment insurance
- Mortality risk for whole-life insurance and endowment insurance
- Disability risk for (occupational) disability and incapacity insurance

Whole-life insurance and pure endowment insurance are often combined in endowment insurance which then, like pension insurance, comprises savings and substantial guaranteed cash surrender values for policyholders. For the savings, a minimum rate of interest is guaranteed that is contractually stipulated and generally applies for the entire term. In addition to the direct market and credit risk, the guarantee element in these products therefore gives rise to a risk for the Baloise Group in terms of policyholder behaviour and the timing and frequency of surrenders. The same applies for those pension insurance policies where the policyholders have the option to receive a lump-sum payment.

Baloise also offers group life insurance, particularly in Switzerland in the context of the law on occupational insurance, and in Belgium. The biometric risks and the guaranteed rate of return and guaranteed minimum cash surrender values in this business are similar in nature to those in the traditional business. There are differences from other traditional business in that policyholders are not generally individuals and there are some very specific regulatory requirements. In Switzerland, for example, the Swiss Federal Council stipulates the minimum rate of interest for the compulsory savings component of retirement assets covered by the Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) and the conversion rates for retirement pensions.

In all life insurance contracts, the biometric risk is impacted by different factors. Changes in lifestyle, for example, or an epidemic or terrorist attack can have a material effect on mortality risk. Longevity risk can stem from medical advances and rising living standards. Disability risk can grow as a result of legislative changes and pension benefits can rise as a result of increasing life expectancy.

A key feature of many traditional life insurance contracts, including in group life business, is the sharing of some insurance and market risk between Baloise and the policyholder through the participation feature. For example, higher death benefits generally mean lower surpluses, so the additional expense is therefore not borne solely by the Baloise Group.

The aim of participation systems is to allow policyholders to participate in residual surpluses generated by the respective group of policyholders. This statutory or discretionary participation varies depending on the country, operating segment (such as individual or group life business) and source of the surplus (e.g. interest rate gain or risk return).

Under traditional contracts in Germany, the Baloise Group is obliged by law to return a minimum percentage of its profit to policyholders by letting them share in surpluses.

Minimum percentages also apply to some of the occupational pensions business in Switzerland, which impacts policyholders' dividends.

Unit-linked and similar contracts

Unit-linked and similar contracts are generally endowment insurance or deferred annuity insurance where the policyholders usually bear the entire investment risk and benefit fully from any positive return.

If the policyholder dies, the beneficiary receives the sum insured or the fund assets, if the latter exceed the sum insured. During the deferment period, unit-linked annuities behave in a similar way to unit-linked endowment life insurance, but during the payout period the policy converts into a traditional annuity with guaranteed benefits.

A key feature of unit-linked life insurance and similar contracts is that the Baloise Group does not guarantee either the cash surrender value or the maturity value.

A closed sub-portfolio of unit-linked contracts in Switzerland represents an exception to this. These contracts were written as part of the statutory pension scheme (Pillar 3a) and on the endowment date guarantee the net investment premium plus accrued interest at an interest rate of 3.25 per cent.

The Baloise Group also has a number of variable annuities products, primarily in its Swiss units, that offer unit-linked and, in some cases, guaranteed whole-life annuities which are hedged using external reinsurance.

All of the above guarantees are measured in line with other products with a guaranteed rate of return.

In addition, the Baloise Group offers a minimum maturity value for certain contracts in Switzerland and Germany linked to the choice of underlying fund. The funds are typically those with the type of investment strategy that guarantees a certain fund value at maturity for a specific policy term. 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 fund for which Baloise provides a guaranteed maturity value. This is hedged via investments in bonds issued by banks outside the Group.

Management of risk

Longevity risk, mortality risk and disability risk are specific to life insurance and are monitored on an ongoing basis. The companies in the Baloise Group review and analyse mortality, along with the frequency with which the policies are cancelled, invalidated and reactivated, on a decentralised basis using standard actuarial methods. The information they gather is used to ensure that rates are adequate, with acceptable safety margins, and to set aside sufficient local reserves to meet future insurance liabilities. The risks in this context are manageable because rates have to be calculated conservatively by law and the base data is relatively good. In pension insurance, there is also the risk that the constant upward trend in life expectancy will lead to annuities having to be paid for longer. Appropriate bases of calculation are used to account for this risk.

There are clear authorisation levels and underwriting limits for life insurance in each sector. Reinsurance is also used for risk management purposes in the life insurance business but is less important in this area as a means of transferring risk.

Risk exposure and risk concentration

Life insurance is generally offered as fixed-sum insurance under which – instead of payments for an incurred loss – a fixed sum is paid on occurrence of an insured event, which can be survival or death. Risk insurance options pay capital and/or pension benefits in the event of premature death (whole-life insurance) or disability (disability insurance). The table below quantifies actuarial risk exposure in the life insurance business by liability for remaining coverage, LRC, for the portfolio of insurance contracts (see note 12.1).

	Liability for remaining coverage	
as at 31.12.	**2023**	**2022**
CHF million		
Endowments and pure death benefit products	9,132.7	9,453.9
Annuities	4,447.0	4,622.5
Disability products	185.9	305.7
Unit-linked products	2,955.7	2,781.0
Hybrid products	1,601.1	1,377.8
Investment contracts with DPF	4,437.2	4,599.3
Group life	20,594.8	20,241.0
Other	16.7	10.7
Total	**43,371.1**	**43,391.9**

Assumptions

For measurement in accordance with IFRS 17, Baloise uses assumptions about actuarial risk. These assumptions are updated annually and include, for example:

- Mortality assumptions, for whole-life and endowment policies
- Probability of disability and a policyholder being able to return to work for products with (occupational) disability and incapacity insurance
- Assumptions relating to the policyholder options in the rate scales, including assumptions about cancellations and probabilities of pensions being drawn

Where Baloise itself has a sufficiently large volume of business from which to derive best estimates for these assumptions, it makes use of that data to do so. Where portfolios are too small or too new to be the basis or sole basis of statistical methods, Baloise uses industry data and other sources. Besides historical and current trends, certain assumptions also take foreseeable trends into account, including the ongoing improvement of mortality rates.

Sensitivity analysis

The following sensitivity analysis shows the consequences of realistic changes in actuarial risk parameters to which the Baloise Group is exposed at the balance sheet date. These consequences impact on its consolidated equity, profit for the period and CSM. Where risk factors are largely symmetrical, only the negative impact is analysed. Managing the factors to move them in the opposite direction would have the opposite effect, but to roughly the same degree (i. e. an increase instead of a decrease of the same magnitude). In the case of asymmetrical risk factors, both the positive and the negative impact are analysed. When determining sensitivities, only the assumption being tested is varied. However, the model takes into account additional effects, such as associated changes in profit sharing, using the same rules as applied in the baseline scenario. In general, sensitivities do not behave in a linear fashion and relate to a specific date, meaning that conclusions about future behaviour, particularly where sensitivities are combined, do not necessarily prove correct. For the sensitivities presented below, the effect is calculated of changes in assumptions on profit for the period and on equity after deferred taxes:

	Impact on the CSM		Impact on profit for the period		Impact on equity (incl. profit for the period)	
	2023	2022	2023	2022	2023	2022
CHF million						
Mortality risk +10%[1]						
before reinsurance	–46.1	–53.4	–1.4	–1.8	–2.8	–1.9
after reinsurance	–44.0	–51.7	–1.4	–2.8	–3.0	–3.1
Mortality risk –10%[2]						
before reinsurance	–108.1	–81.7	–5.2	–4.4	–5.2	–4.4
after reinsurance	–108.4	–82.1	–5.3	–5.4	–5.2	–5.3
Longevity risk +25%[3]						
before reinsurance	–39.8	–28.7	–1.7	–1.5	–1.7	–1.5
after reinsurance	–39.6	–28.5	–1.8	–2.5	–1.8	–2.5
Disability risk +10%[4]						
before reinsurance	–63.4	–64.9	–2.1	–2.6	–2.7	–2.8
after reinsurance	–29.7	–43.8	–2.2	–1.3	–7.0	–4.9
Surrender rates +10%[5]						
before reinsurance	–85.3	–101.1	0.2	–0.5	–0.4	–3.9
after reinsurance	–75.0	–89.5	0.4	0.7	–1.5	–4.7
Surrender rates –10%[5]						
before reinsurance	90.6	106.6	–0.2	0.5	0.2	4.1
after reinsurance	80.2	94.8	–0.6	1.7	1.2	7.4

1 This sensitivity measures the effect of a relative increase of 10 per cent in future annual mortality rates on contracts where this would mean an increase in the obligation, e.g. pure risk contracts.
2 This sensitivity measures the effect of a relative decrease of 10 per cent in future annual mortality rates on contracts where this would mean an increase in the obligation, e.g. life annuities.
3 This sensitivity examines the effect of a relative change in the future trend parametrisation in mortality by 25%. It applies only to annuities, and quantifies a parameter risk rather than a biometric risk.
4 This sensitivity examines the effect of a relative change in the yearly future disability rates by 10%.
5 This sensitivity measures the impact of a future relative change in annual surrender rates (redemptions, partial redemptions, cancellations, premium waivers, etc.) of 10 per cent.

11.2.3 Financial contracts

The Baloise Group's banking business in Switzerland is run by Baloise Bank Ltd. Its most important line of business is interest margin business, with lending mainly occurring on a mortgage-backed basis. Baloise Bank Ltd also runs the brokerage and services business.

The main risk categories in the banking business of the Baloise Group are therefore credit risk, interest rate risk and liquidity risk.

Contracts with characteristics of unit-linked contracts but with no significant insurance risk are also deemed financial contracts. They are mainly written in Luxembourg and Liechtenstein. Policyholder behaviour is the central risk with these contracts. There is also an indirect market risk as the Baloise Group's compensation for expenses from these contracts mainly depends on the fair value of the underlying assets. The Group also reports as financial contracts those contracts that do not have significant insurance protection, do not have a significant participation feature and are not unit-linked. There is a small volume of such contracts in Belgium. The financial risks are similar to those of traditional insurance products.

11.3 Financial risk

In the course of its business, the Baloise Group is exposed to a number of financial risks. The following notes specifically address market risk, credit risk and liquidity risk. To limit risk from investments, the investments are stress-tested using defined capital market scenarios and the effects are monitored on a monthly basis. The capital market scenarios and limits used are reviewed and approved at least once a year.

11.3.1 Market risks

Currency risk

Currency risk stems from potential financial loss generated by changes in exchange rates. The extent of the effective currency risk depends on:

- the amount of the net foreign currency 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.

Currency risk largely derives from investments in foreign currency bonds for investment or diversification purposes and private debt investments (particularly those denominated in euros and US dollars). 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. By contrast, alternative financial assets are posted under the line item 'Net investment in a foreign operation' and their currency effects are only taken to income when the investment is sold. As a result, hedge accounting is used to assign currency hedges to the alternative financial assets, meaning that the currency effects are only taken to income when the underlying item is sold.

Currency risk management

In its management of currency risk, which aims to ensure compliance with the defined risk budget for currency effects recognised in the income statement, the foreign exchange management team first calculates adequate target hedge ratios. It then implements the necessary hedging strategies, taking into account these target hedge ratios and the permitted discretionary ranges. 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 derivatives 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 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 Baloise Group writes its insurance business almost exclusively in Swiss francs and euros, meaning that the 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).

Currency risk sensitivities

This sensitivity measures the impact of a relative change in the exchange rates of minus 10 per cent against the Swiss franc at the end of the period. The stress scenario is applied only to monetary items and is consolidated taking account of the effects of deferred taxes. The impact of translating the functional currencies of the individual companies into the Group currency is disregarded.

	Impact on profit for the period		Impact on equity (incl. profit for the period)	
as at 31.12.	**2023**	**2022**	**2023**	**2022**
CHF million				
Currency change against CHF –10%				
Financial instruments	–18.1	16.6	–9.4	30.8
Insurance contracts	–13.3	–55.2	–14.6	–55.3
Total	**–31.4**	**–38.7**	**–23.9**	**–24.5**
of which: underlying assets relating to insurance contracts	–30.7	19.6	–22.8	15.0

Interest rate risk

Interest rate risk stems from all unfavourable effects of fluctuations in money market and capital market interest rates.

Economic risk arises from the fact that a company's profit can decrease as a result of a lower interest margin or that the fair value of a portfolio of interest rate-sensitive products can decline. Furthermore, a movement in interest rates or in the interest rate curve can result in a significant deterioration in terms and conditions if funding has to be rolled over.

The Baloise Group is exposed to different kinds of interest rate risk. Changes in interest rates can impact the measurement of assets and liabilities to different extents. In particular, technical reserves, being based on discounted cash flows, must be reported on the basis of continually updated financial and non-financial assumptions. This means that changes in interest rates lead to adjustments to reserves, which are reported either in the income statement or through other comprehensive income, depending on the type of contract involved. The same applies analogously to investments, which are measured either at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVPL). Interest rate risk does not affect the carrying amounts of investments measured using the amortised cost (AC) model. All of the Baloise Group's business is therefore impacted by the effect of changes in interest rates where assets and liabilities have a different duration or where differing accounting treatments have been chosen.

Interest rate risk management

Under Baloise's Group-wide Risk Management Standards, 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.

In the non-life units, benchmark-based maturity management is the primary method used. In the life units, maturity management is driven by the structure of the obligations.

Baloise's life insurance companies 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 uses 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 Ltd is also actively managed through the use of appropriate interest rate derivatives.

Interest rate risk sensitivities

If all interest rates had risen or fallen by 50 basis points on the balance sheet date but all other variables had remained constant, the following impact on profit for the period would have been observed, taking the effects of deferred taxes into account:

	Impact on profit for the period		Impact on equity (incl. profit for the period)	
as at 31.12.	**2023**	**2022**	**2023**	**2022**
CHF million				
Parallel shift +50 basis points[1]				
Financial instruments	–1,020.8	–992.1	–1,146.9	–1,105.1
Insurance contracts	899.3	874.5	1,012.6	957.7
Total	**–121.5**	**–117.6**	**–134.3**	**–147.4**
of which: underlying assets relating to insurance contracts	–897.6	–879.6	–1,014.6	–1,054.6
Parallel shift –50 basis points[1]				
Financial instruments	1,099.8	1,071.7	1,233.1	1,190.4
Insurance contracts	–973.2	–948.0	–1,092.7	–1,037.4
Total	**126.6**	**123.7**	**140.4**	**153.0**
of which: underlying assets relating to insurance contracts	968.6	942.2	1,092.3	1,129.5

1 This sensitivity measures the effect of a constant change of 50 basis points in the interest rates used to measure balance sheet line items across all maturities.

Certain items on the consolidated balance sheet for which the Baloise Group defines an interest rate sensitivity for the purposes of this disclosure may be subject to other interest rate sensitivity calculations for other disclosures.

Equity price risk

Equity price risk describes the risk of the market price of financial instruments with characteristics of equity changing to the detriment of the Baloise Group. Depending on the measurement option in use, changes in market prices can impact the income statement and/or equity.

Equity price risk management

Equity price risk is significantly reduced by means of diversification, i.e. by spreading risk across sectors, countries and currencies. Active overlay management using derivatives also mitigates equity price risk.

Equity price risk exposure

The Baloise Group is exposed to equity price risk from directly held equity instruments and from collective investments (or fund investments), which, in turn, invest in equity instruments. The Baloise Group is not exposed to any significant risk of concentrated equity price risk.

Equity price risk sensitivities

If the market price of all financial instruments with characteristics of equity were to move by +/– 25 per cent on the balance sheet date, the following impact would be observed:

	Impact on profit for the period		Impact on equity (incl. profit for the period)	
as at 31.12.	**2023**	**2022**	**2023**	**2022**
CHF million				
Change in fair values +25 %				
Financial instruments	1,230.6	1,352.0	1,303.0	1,480.1
Insurance contracts	–1,101.0	–1,218.9	–1,053.4	–1,110.3
Total	**129.6**	**133.1**	**249.6**	**369.8**
of which: underlying assets relating to insurance contracts	1,229.9	1,351.3	1,295.6	1,473.4
Change in fair values –25 %				
Financial instruments	–1,222.3	–1,297.9	–1,294.8	–1,426.0
Insurance contracts	1,096.4	1,188.0	1,051.1	1,076.1
Total	**–126.0**	**–109.9**	**–243.7**	**–349.9**
of which: underlying assets relating to insurance contracts	–1,221.7	–1,302.1	–1,287.4	–1,424.2

The effects shown include the impact of deferred taxes and derivative hedges. The effect of life insurance policyholders participating in the company’s profits, depending on their policy and local circumstances (see note 12.1), is also included in the table above.

Market risk sensitivities – effects on CSM

The described sensitivities in market parameters have the following impact on the CSM:

	Impact on the CSM	
as at 31.12.	**2023**	**2022**
CHF million		
Interest rate change – parallel shift +50 basis points		
Insurance contracts	– 71.4	– 215.9
Interest rate change – parallel shift –50 basis points		
Insurance contracts	– 28.0	61.7
Change in fair values +25%		
Insurance contracts	302.4	350.9
Change in fair values –25%		
Insurance contracts	– 301.4	– 347.3
Currency change against CHF –10%		
Insurance contracts	7.0	13.6

11.3.2 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 arises in particular from financial instruments with characteristics of debt, mortgages and loans, as well as from receivables and demand deposits held by banks. In addition, there are guarantees and collateral for the benefit of third parties, which are described in note 10.3.1.

Credit risk rises with increasing concentration of counterparties in a single sector or geographic region. Changes in the economic environment that affect entire sectors or geographic regions can jeopardise the solvency of an entire group of otherwise unrelated counterparties.

Credit risk is managed by monitoring the credit quality of each individual counterparty and relying heavily on credit ratings. When selecting securities and making changes to the credit portfolio, decisions draw on the regional expertise of the business units.

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.

As a rule, investments in interest-bearing securities or loans need to have an investment-grade issue rating or be backed by a corresponding third-party guarantee or by a mortgage. If any financial instrument in the portfolio becomes sub-investment grade due to a ratings downgrade, it must be sold within twelve months. Approval is required for any exceptions. Financial derivatives are only permitted to be transacted with issuers holding a rating of at least A- or with whom there is a special collateral agreement.

Please refer to the table of secured financial instruments with characteristics of debt in note 4.2.3.

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 receives detailed risk reports on the composition of the mortgage portfolio and risk trends.

Policies, directives and authorisation levels set out the terms and conditions for granting mortgages, which consist of the amount, the credit quality of the counterparty, collateral and the term of the transaction.

There are special instructions for valuing collateral and calculating loan-to-value ratios. The purpose of these provisions is to ensure that a standard procedure is used to determine the applicable value of collateral when assessing mortgages. The calculation of the fair value of the financed assets, the loan value and the assessment of affordability are of critical importance, particularly with regard to mortgage business. One of the objectives of the active management of mortgages is the early identification of potential downside risk.

The mortgage portfolio comprises loans to individuals and to legal entities. The type and degree of risk that may be incurred, together with collateralisation and quality requirements, are set out in directives and authorisation levels. To mitigate risk, the portfolio is as geographically diverse as possible.

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 receive a high credit risk (BB and lower) rating.

The table below shows the loan exposures to the largest counterparties:

Financial assets exceeding 10% of consolidated equity	31.12.2023
CHF million	
Swiss Confederation	3,121.7
Kingdom of Belgium	2,076.7
Pfandbriefbank schweizerischer Hypothekarinstitute AG	1,415.0
Republic of France	1,355.2
Pfandbriefzentrale der schweizerischen Kantonalbanken AG	1,068.4
Federal Republic of Germany	1,053.5
Kingdom of Spain	706.7
Canton of Zurich	610.4
Republic of Ireland	486.1
City of Zurich	460.4
Kingdom of the Netherlands	441.2
Canton of Lucerne	417.2
German federal state of North Rhine-Westphalia	341.0
Canton of Basel-Landschaft	330.2

Financial assets exceeding 10% of consolidated equity	31.12.2022
CHF million	
Swiss Confederation	3,145.8
Kingdom of Belgium	2,185.1
Republic of France	1,307.4
Pfandbriefbank schweizerischer Hypothekarinstitute AG	1,281.2
Federal Republic of Germany	1,256.1
Pfandbriefzentrale der schweizerischen Kantonalbanken AG	886.7
Kingdom of Spain	702.5
Kingdom of the Netherlands	589.8
Republic of Ireland	486.0
Canton of Zurich	420.5
Republic of Austria	385.6

The tables below show the changes in expected credit losses from non-performing loans for each measurement category. The losses are broken down by stage in line with the expected credit loss model.

Please refer to note 12.2.3 under accounting policies for notes on this impairment model.

Credit risk by rating class (AC)

2023	Stage 1	Stage 2	Stage 3	Total
CHF million				
Financial instruments with characteristics of debt (AC)				
Very low credit risk (AAA)	21.0	–	–	**21.0**
Low credit risk (AA to A)	102.1	–	–	**102.1**
Moderate/medium credit risk (BBB)	–	–	–	**–**
High credit risk (BB and lower)	–	–	–	**–**
No rating	2.0	–	–	**2.0**
Gross amount (AC)	**125.0**	**–**	**–**	**125.0**
Impairment (ECL)	–	–	–	**–**
Carrying amount of financial instruments with characteristics of debt (AC)	**125.0**	**–**	**–**	**125.0**
Mortgages and loans (AC)				
Very low credit risk (AAA)	160.4	7.1	–	**167.5**
Low credit risk (AA to A)	6,967.7	35.0	33.6	**7,036.3**
Moderate/medium credit risk (BBB)	854.1	1.5	7.2	**862.8**
High credit risk (BB and lower)	155.9	0.9	53.7	**210.5**
No rating	1,878.2	–	–	**1,878.2**
Gross amount (AC)	**10,016.4**	**44.5**	**94.5**	**10,155.3**
Impairment (ECL)	– 6.1	– 0.3	– 10.5	**– 16.9**
Carrying amount of mortgages and loans (AC)	**10,010.3**	**44.2**	**83.9**	**10,138.4**
Sub-total of financial assets with credit risk measured at amortised cost	**10,135.3**	**44.2**	**83.9**	**10,263.4**
Financial receivables (AC)[1]				
Gross amount (AC)				**731.3**
Impairment (ECL)				**– 4.0**
Carrying amount of financial receivables				**727.2**
Total financial assets with credit risk measured at amortised cost				**10,990.6**

1 Simplified approach

2022	Stage 1	Stage 2	Stage 3	Total
CHF million				
Financial instruments with characteristics of debt (AC)				
Very low credit risk (AAA)	21.5	–	–	**21.5**
Low credit risk (AA to A)	87.6	–	–	**87.6**
Moderate / medium credit risk (BBB)	–	–	–	**–**
High credit risk (BB and lower)	–	–	–	**–**
No rating	–	–	–	**–**
Gross amount (AC)	**109.1**	**–**	**–**	**109.1**
Impairment (ECL)	–	–	–	**–**
Carrying amount of financial instruments with characteristics of debt (AC)	**109.1**	**–**	**–**	**109.1**
Mortgages and loans (AC)				
Very low credit risk (AAA)	138.1	–	0.1	**138.2**
Low credit risk (AA to A)	6,754.3	30.2	29.9	**6,814.3**
Moderate / medium credit risk (BBB)	952.8	0.3	9.1	**962.3**
High credit risk (BB and lower)	128.5	0.9	49.3	**178.7**
No rating	856.0	–	3.2	**859.3**
Gross amount (AC)	**8,829.7**	**31.3**	**91.7**	**8,952.8**
Impairment (ECL)	– 4.9	– 0.3	– 14.1	**– 19.3**
Carrying amount of mortgages and loans (AC)	**8,824.8**	**31.0**	**77.6**	**8,933.5**
Sub-total of financial assets with credit risk measured at amortised cost	**8,933.9**	**31.0**	**77.6**	**9,042.5**
Financial receivables (AC) [1]				
Gross amount (AC)				**604.7**
Impairment (ECL)				**– 4.1**
Carrying amount of financial receivables				**600.7**
Total financial assets with credit risk measured at amortised cost				**9,643.2**

1 Simplified approach

Credit risk by rating class (FVOCI)

2023	Stage 1	Stage 2	Stage 3	Total
CHF million				
Financial instruments with characteristics of debt (FVOCI)				
Very low credit risk (AAA)	1,501.1	–	–	**1,501.1**
Low credit risk (AA to A)	2,780.8	–	–	**2,780.8**
Moderate / medium credit risk (BBB)	1,020.9	–	–	**1,020.9**
High credit risk (BB and lower)	313.0	25.5	1.2	**339.6**
No rating	12.3	–	–	**12.3**
Carrying amount of financial instruments with characteristics of debt (FVOCI)	**5,628.0**	**25.5**	**1.2**	**5,654.7**
Impairment (ECL) recognised in other comprehensive income	3.0	6.9	1.4	**11.4**
Mortgages and loans (FVOCI)				
Very low credit risk (AAA)	332.0	–	–	**332.0**
Low credit risk (AA to A)	222.9	–	–	**222.9**
Moderate / medium credit risk (BBB)	–	–	–	**–**
High credit risk (BB and lower)	–	–	–	**–**
No rating	–	–	–	**–**
Carrying amount of mortgages and loans (FVOCI)	**555.0**	**–**	**–**	**555.0**
Impairment (ECL) recognised in other comprehensive income	0.0	–	–	**0.0**
Total financial assets with credit risk measured at fair value through other comprehensive income	**6,183.0**	**25.5**	**1.2**	**6,209.6**

2022	Stage 1	Stage 2	Stage 3	Total
CHF million				
Financial instruments with characteristics of debt (FVOCI)				
Very low credit risk (AAA)	1,292.1	–	–	**1,292.1**
Low credit risk (AA to A)	2,597.4	–	–	**2,597.4**
Moderate / medium credit risk (BBB)	1,020.5	–	–	**1,020.5**
High credit risk (BB and lower)	375.8	18.0	1.6	**395.4**
No rating	177.2	–	–	**177.2**
Carrying amount of financial instruments with characteristics of debt (FVOCI)	**5,463.0**	**18.0**	**1.6**	**5,482.6**
Impairment (ECL) recognised in other comprehensive income	4.4	7.2	1.3	**12.9**
Mortgages and loans (FVOCI)				
Very low credit risk (AAA)	309.8	–	–	**309.8**
Low credit risk (AA to A)	270.6	–	–	**270.6**
Moderate / medium credit risk (BBB)	–	–	–	**–**
High credit risk (BB and lower)	–	–	–	**–**
No rating	3.0	–	–	**3.0**
Carrying amount of mortgages and loans (FVOCI)	**583.4**	**–**	**–**	**583.4**
Impairment (ECL) recognised in other comprehensive income	0.0	–	–	**0.0**
Total financial assets with credit risk measured at fair value through other comprehensive income	**6,046.3**	**18.0**	**1.6**	**6,066.0**

Changes in expected credit losses (ECLs) – financial instruments with characteristics of debt at FVOCI

2023	Stage 1	Stage 2	Stage 3	Total
CHF million				
Balance as at 1 January	**4.4**	**7.2**	**1.3**	**12.9**
Net remeasurement of ECL allowance	–2.5	3.0	0.9	**1.5**
ECL of new financial assets acquired	1.6	–	–	**1.6**
Transfer to Stage 1	1.6	–1.6	–	**–**
Transfer to Stage 2	–0.7	0.7	–	**–**
Transfer to Stage 3	–0.4	–0.3	0.7	**–**
Financial assets derecognised	–0.8	–1.4	–1.4	**–3.6**
Additions arising from change in the scope of consolidation	–	–	–	**–**
Write-off	–	–	–	**–**
Exchange differences	–0.3	–0.7	–0.1	**–1.1**
Balance as at 31 December	**3.0**	**6.9**	**1.4**	**11.4**

2022	Stage 1	Stage 2	Stage 3	Total
CHF million				
Balance as at 1 January	**3.0**	**5.5**	**0.7**	**9.1**
Net remeasurement of ECL allowance	–0.1	8.8	0.4	**9.1**
ECL of new financial assets acquired	2.2	–	–	**2.2**
Transfer to Stage 1	1.5	–1.5	–	**–**
Transfer to Stage 2	–0.9	0.9	–	**–**
Transfer to Stage 3	–0.5	–5.4	5.9	**–**
Financial assets derecognised	–0.7	–1.0	–0.5	**–2.2**
Additions arising from change in the scope of consolidation	–	–	–	**–**
Write-off	–	–	–5.2	**–5.2**
Exchange differences	0.0	0.0	0.0	**–0.1**
Balance as at 31 December	**4.4**	**7.2**	**1.3**	**12.9**

Changes in expected credit losses (ECLs) – mortgages and loans at AC

2023	Stage 1	Stage 2	Stage 3	Total
CHF million				
Balance as at 1 January	**–4.9**	**–0.3**	**–14.1**	**–19.3**
Net remeasurement of ECL allowance	1.1	0.0	–1.4	**–0.3**
ECL of new mortgages and loans	–2.5	–	–	**–2.5**
Transfer to Stage 1	–0.3	0.0	0.4	**–**
Transfer to Stage 2	0.0	0.0	–	**–**
Transfer to Stage 3	0.0	0.0	0.0	**–**
Mortgages and loans derecognised	0.5	0.0	4.0	**4.6**
Additions arising from change in the scope of consolidation	–	–	–	**–**
Write-off	–	–	0.5	**0.5**
Exchange differences	0.0	–	0.0	**0.0**
Balance as at 31 December	**–6.1**	**–0.3**	**–10.5**	**–16.9**

2022	Stage 1	Stage 2	Stage 3	Total
CHF million				
Balance as at 1 January	**–5.2**	**–0.2**	**–13.5**	**–18.9**
Net remeasurement of ECL allowance	0.5	0.0	–2.4	**–2.0**
ECL of new mortgages and loans	–1.8	–	–	**–1.8**
Transfer to Stage 1	0.0	–0.1	0.1	**–**
Transfer to Stage 2	0.0	0.0	–	**–**
Transfer to Stage 3	0.8	0.0	–0.8	**–**
Mortgages and loans derecognised	0.9	0.0	2.4	**3.3**
Additions arising from change in the scope of consolidation	–	–	–	**–**
Write-off	–	–	–	**–**
Exchange differences	0.0	–	0.0	**0.0**
Balance as at 31 December	**–4.9**	**–0.3**	**–14.1**	**–19.3**

Changes in expected credit losses (ECLs) – loans at FVOCI

2023	Stage 1	Stage 2	Stage 3	Total
CHF million				
Balance as at 1 January	**0.0**	**–**	**–**	**0.0**
Net remeasurement of ECL allowance	0.0	–	–	**0.0**
ECL of new loans	0.0	–	–	**0.0**
Transfer to Stage 1	–	–	–	**–**
Transfer to Stage 2	–	–	–	**–**
Transfer to Stage 3	–	–	–	**–**
Loans derecognised	0.0	–	–	**0.0**
Additions arising from change in the scope of consolidation	–	–	–	**–**
Write-off	–	–	–	**–**
Exchange differences	0.0	–	–	**0.0**
Balance as at 31 December	**0.0**	**–**	**–**	**0.0**

2022	Stage 1	Stage 2	Stage 3	Total
CHF million				
Balance as at 1 January	**0.0**	**–**	**–**	**0.0**
Net remeasurement of ECL allowance	0.0	–	–	**0.0**
ECL of new loans	0.0	–	–	**0.0**
Transfer to Stage 1	–	–	–	**–**
Transfer to Stage 2	–	–	–	**–**
Transfer to Stage 3	–	–	–	**–**
Loans derecognised	0.0	–	–	**0.0**
Additions arising from change in the scope of consolidation	–	–	–	**–**
Write-off	–	–	–	**–**
Exchange differences	0.0	–	–	**0.0**
Balance as at 31 December	**0.0**	**–**	**–**	**0.0**

Receivables are presented using the simplified approach:

	2023	2022
CHF million		
ECL of receivables from financial contracts	–1.4	–1.1
ECL of receivables from investments	–1.5	–1.7
ECL of other financial receivables	–1.1	–1.3
Total ECL of financial receivables (AC)	**–4.0**	**–4.1**

Credit risk from the reinsurance contracts held by the Baloise Group is grouped by credit quality of the counterparty in the table below and was measured in accordance with IFRS 17:

	31.12.2023	31.12.2022
CHF million		
Fulfilment cash flows after deposits and collaterals		
Very low credit risk (AAA)	–	–
Low credit risk (AA to A)	362.3	388.8
Moderate/medium credit risk (BBB)	0.0	0.0
High credit risk (BB and lower)	–	–
No rating	13.7	77.4
Exposure credit risk	**376.0**	**466.2**

Reinsurance contracts may only be entered into with counterparties that have been authorised in advance by Corporate Division Finance. Reinsurers must generally have a minimum rating of A– from Standard & Poor's, but in exceptional cases – and in specific circumstances – a rating lower than A or a comparable rating from another recognised rating agency is permitted. However, reinsurers with 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.

11.3.3 Liquidity risk

Liquidity risk 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 secured quickly enough. In extreme cases, a lack of liquidity can result in insolvency. Banks and insurance companies incur liquidity risk.

Liquidity risk management

Statutory provisions and the following rules apply to the management of liquidity risk: 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.

There are also asset and liability management committees in all strategic business units in the Baloise Group. These asset and liability management committees analyse maturity schedules and the income generated by assets or required for liabilities.

As part of tactical and strategic investment planning, care is taken when allocating the assets held by the individual life and non-life insurance units in the Baloise Group to ensure that sufficient liquidity is available to carry out investment activity and for the operational settlement of all business processes. The level of liquidity required is determined on the basis of the maturity structure of investments versus the payout schedule for insurance-related liabilities. Investment planning explicitly includes exceptionally large incoming or outgoing payments that are known in advance. Maintenance of liquidity levels and access to further liquidity via the repo market ensure sufficiently high reserves for payments needed at short notice, such as large claim settlements, until such time as the reinsurer assumes the costs.

If these precautions fail to meet the need for liquidity, 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). Given the substantial volume of government bonds and quasi-government bonds held, it is likely to still be possible to sell large volumes of 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. It is furthermore not possible to sell investment property to generate immediate liquidity.

Baloise Bank Ltd's liquidity risk is managed by its asset and liability management committee. The required data and key figures are determined and calculated using a specialist IT application.

Liquidity risk exposure

The anticipated maturity profile of assets and liabilities under insurance contracts and reinsurance contracts, which is monitored as part of liquidity management, is presented in the table below.

Maturities of undiscounted cash flows from liabilities under insurance and reinsurance contracts – non-life

31.12.2023	‹ 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	› 5 years or no determinable residual term	Total	Carrying amount
CHF million								
Insurance contract liabilities (PAA)	1,793.4	762.6	525.3	359.6	271.6	2,098.0	**5,810.5**	**5,009.0**
Reinsurance contract liabilities (PAA)	2.1	–1.6	–1.0	–0.8	–0.6	–1.2	**–3.0**	**–2.5**

31.12.2022	‹ 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	› 5 years or no determinable residual term	Total	Carrying amount
CHF million								
Insurance contract liabilities (PAA)	1,734.4	793.9	534.8	380.4	275.7	2,103.7	**5,822.9**	**4,905.6**
Reinsurance contract liabilities (PAA)	64.8	–	–	–	–	–	**64.8**	**64.8**

Maturities of the present values of future cash flows from liabilities under insurance and reinsurance contracts – life

31.12.2023	‹ 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	> 5 years or no determinable residual term	Total
CHF million							
Insurance contract liabilities (VFA)	1,586.9	939.1	963.3	836.8	863.2	26,556.5	**31,745.8**
Insurance contract liabilities (GMM)	307.8	193.2	205.1	212.9	194.8	5,725.7	**6,839.6**
Reinsurance contract liabilities (GMM)	0.9	– 0.1	– 0.1	– 0.1	– 0.1	0.0	**0.5**

31.12.2022	‹ 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	> 5 years or no determinable residual term	Total
CHF million							
Insurance contract liabilities (VFA)	1,512.7	981.9	862.6	645.8	689.2	26,495.8	**31,188.0**
Insurance contract liabilities (GMM)	269.7	184.2	122.5	194.7	183.7	5,929.4	**6,884.2**
Reinsurance contract liabilities (GMM)	0.0	0.0	0.0	0.0	0.0	0.4	**0.3**

	31.12.2023	31.12.2022
CHF million		
Amount payable on demand	34,397.8	35,183.4
Carrying amount	38,585.4	38,072.1

Liquidity management must take account of the maturity structure of insurance contract liabilities and financial liabilities:

Maturities of financial liabilities (undiscounted)

31.12.2023	‹ 1 year[1]	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	> 5 years or no determinable residual term	Total	Carrying amount
CHF million								
Financial liabilities								
Liabilities arising from financial contracts	1,328.7	358.6	283.9	278.3	250.1	17,437.2	**19,936.8**	**19,936.3**
Recognised at amortised cost (AC)	822.4	311.1	213.9	235.7	215.7	6,324.9	**8,123.8**	**8,123.3**
Recognised at fair value through profit or loss (FVPL)	506.3	47.5	69.9	42.6	34.4	11,112.3	**11,813.1**	**11,813.1**
Derivatives (liabilities)	56.4	–	–	4.1	1.8	21.0	**83.4**	**83.4**
Outstanding bonds	172.6	220.9	294.9	219.5	328.9	1,235.0	**2,471.8**	**2,334.0**
Lease liabilities	17.0	6.4	5.4	4.4	2.9	24.7	**60.8**	**57.3**
Other financial liabilities	823.3	110.3	11.5	–	–	6.4	**951.5**	**962.1**
Total financial liabilities (undiscounted)	**2,398.1**	**696.2**	**595.7**	**506.3**	**583.7**	**18,724.3**	**23,504.3**	**23,373.2**
Guarantees and future liabilities								
Guarantees	44.8	0.8	0.1	0.3	0.0	9.7	**55.6**	**–**
Future liabilities	389.7	1,594.0	8.3	7.2	2.9	987.9	**2,990.0**	**–**
Total guarantees and future liabilities (undiscounted)	**434.5**	**1,594.8**	**8.4**	**7.5**	**2.9**	**997.5**	**3,045.7**	**–**

1 All demand deposits are included in the first maturity band.

31.12.2022	‹ 1 year[1]	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	> 5 years or no determinable residual term	Total	Carrying amount
CHF million								
Financial liabilities								
Liabilities arising from financial contracts	1,288.7	217.1	240.6	175.8	186.9	17,730.6	**19,839.7**	**19,839.7**
Recognised at amortised cost (AC)	536.2	169.9	203.6	156.2	164.6	6,752.8	**7,983.3**	**7,983.3**
Recognised at fair value through profit or loss (FVPL)	752.5	47.2	37.1	19.7	22.3	10,977.8	**11,856.5**	**11,856.5**
Derivatives (liabilities)	88.6	–	0.3	–	1.0	45.9	**135.8**	**135.8**
Outstanding bonds	550.6	166.4	214.7	288.7	213.3	1,255.5	**2,689.3**	**2,583.8**
Lease liabilities	9.6	6.3	3.4	2.7	4.2	0.6	**26.8**	**25.6**
Other financial liabilities	707.3	63.2	13.2	–	–	19.1	**802.8**	**810.5**
Total financial liabilities (undiscounted)	**2,644.7**	**453.1**	**472.3**	**467.2**	**405.3**	**19,051.7**	**23,494.3**	**23,395.4**
Guarantees and future liabilities								
Guarantees	33.2	1.9	–	–	0.4	10.2	**45.8**	**–**
Future liabilities	827.9	1,168.0	5.2	5.3	6.1	19.2	**2,031.8**	**–**
Total guarantees and future liabilities (undiscounted)	**861.1**	**1,170.0**	**5.2**	**5.3**	**6.5**	**29.5**	**2,077.5**	**–**

1 All demand deposits are included in the first maturity band.

11.4 Capital management and solvency

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.

11.4.1 Swiss Solvency Test

For the purposes of the Swiss Solvency Test (SST), the Baloise Group defines its risk-bearing capital and target capital (capital requirement) using a model approved by FINMA.

Risk-bearing capital is calculated on the basis of a consolidated balance sheet measured using market values. The difference between the assets and liabilities measured at market value gives the risk-bearing capital after any capital deductions and including any eligible supplementary capital. As a result, all capital items that can be deployed to cover losses in the event of adverse business developments are taken into consideration.

Risk-bearing capital is compared with target capital. The capital requirement covers market risk, credit risk and actuarial risk and is determined using an expected shortfall approach that takes account of diversification effects. The actuarial capital requirement is a measurement of the operational funding required to cover actuarial risk. 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) 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.

11.4.2 Requirements under local legislation

Individual Group companies are also subject to regulation under local legislation (in particular the Swiss Solvency Text and Solvency II). The ability of the business units, and therefore also of the parent company, to pay dividends is closely linked to the priority placed on meeting these local requirements. Compliance with local solvency requirements is monitored on an ongoing basis. Appropriate action is taken if solvency falls short of these regulations.

The relevant requirements for the banking operations of Baloise Bank are defined by Basel III regulations.

11.4.3 Monitoring the solvency situation

The risk owner and risk controller responsible for each business unit and for the Group as a whole participate in a regular reporting process. Key figures relating to Solvency I, Solvency II and key figures relating to banking operations are reported on a monthly basis, which enables the solvency situation to be monitored in a timely manner, providing the basis for risk-based management decisions within the whole organisation. It also enables Baloise to meet external reporting requirements at all times.

11.5 Other regulatory requirements

In addition to the statutory rules on capital adequacy, the Group companies must comply with numerous other regulatory and contractual requirements, which vary depending on the country or jurisdiction in which they operate. The effects of these requirements on the classification and grouping of insurance contracts are described in note 12.1.

Examples of other regulatory requirements include investment guidelines and rules concerning cover assets, technical reserves, a suitable system of corporate governance, and internal control systems.

In terms of contractual stipulations, the guaranteed rates of return in life insurance outlined above are of particular importance.

12. Principles of consolidation; accounting policies

This note explains the principles of consolidation and the accounting policies used in the Baloise Group's consolidated annual financial statements and provides information about the material accounting estimates and assumptions.

The Baloise Group's consolidated annual financial statements contain accounting estimates and assumptions that can impact on the presentation of financial position and financial performance. Estimates and judgements made by senior 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 balance sheet date. The amounts that actually arise may vary from the estimates.

Estimates and assumptions primarily relate to financial assets, impairment, deferred taxes, insurance contracts, provisions and reserves, employee benefits and goodwill.

12.1 Insurance contracts

12.1.1 Definition of an insurance contract

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

The Baloise Group assesses the significance of insurance risk based on the volume of additional payments that will have to be made by the insurer if the insured event occurs.

Contracts that include no significant insurance risk are generally investment contracts. If these investment contracts contain a discretionary participation feature (DPF), the Baloise Group treats them as within the scope of IFRS 17 and its recognition and measurement principles. They are referred to as insurance contracts below.

A financial instrument that provides a particular investor with the contractual right to receive, as a supplement to an amount not subject to the discretion of the issuer, additional amounts,

- that are expected to be a significant portion of the total contractual benefits,
- the timing or amount of which are contractually at the discretion of the issuer, and that are contractually based on
  - the returns on a specified pool of contracts or a specified type of contract,
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer, or
  - the profit or loss of the entity or fund that issues the contract.

Some insurance contracts contain combined cover for multiple insurance risks. The Baloise Group treats this type of multi-coverage in line with its internal management structures. In life insurance, main insurance policies and their policy riders (supplementary insurance) are usually treated as one contract and are assigned to a group of insurance contracts and measured as described below. In non-life insurance, policies offering individual cover are generally treated as independent contracts and are assigned to the portfolios described later on.

12.1.2 Separating components from an insurance contract

Under IFRS 17, certain components may need to be separated from the insurance contracts as defined above.

Embedded derivatives

The Baloise Group identifies any embedded derivatives that are included in insurance contracts in accordance with the relevant guidance in IFRS 9 and, on the basis of those principles, determines whether an embedded derivative needs to be separated. If this is the case, all cash flows related to the embedded derivative are separated from the host contract and then measured and presented as a distinct financial instrument.

Embedded derivatives that do satisfy the definition of an insurance contract, such as certain guarantees for annuity conversion rates, are not separated.

Distinct investment components

An investment component of an insurance contract comprises all payments that will have to be made to the policyholder in all circumstances, regardless of whether an insured event has occurred. An investment component is distinct if it is not highly interrelated with the rest of the insurance contract and is – or could be – available as a stand-alone product in the same market as the insurance contract. Investment components are deemed to be highly interrelated with their host contract if they cannot be terminated independently of the host contract.

Distinct investment components must be separated and measured independently in the same way as embedded derivatives but may be within the scope of IFRS 17, for example as an investment contract with DPFs.

Like any other payment, non-distinct investment components are measured as a component of the insurance contract. However, they are treated separately for the purposes of recognising income and expense from insurance contracts, as explained in more detail below in connection with recognition topics.

Guaranteed minimum cash surrender values in life insurance, which are not distinct and therefore part of the insurance contract, are the most important example of investment components in insurance contracts in the Baloise Group.

Distinct non-insurance services

The Baloise Group identifies non-insurance services embedded in insurance contracts in accordance with IFRS 15 Revenue from Contracts with Customers. These non-insurance services are considered distinct if the policyholder can benefit from the services directly.

Cash flows from distinct non-insurance services are separated and measured in accordance with IFRS 15.

12.1.3 Measurement unit for insurance contracts

All of the following references to insurance contracts relate to contracts identified as described above, after the removal of any components that have to be separated.

The measurement unit for insurance contracts is the group of insurance contracts (GIC) that is formed in a multi-step process. The process starts with portfolios of insurance contracts (PICs). These consist of contracts that have similar risks and are managed together. When a contract is issued, it is assigned to a PIC and then allocated to one of the three groups that make up every portfolio:

- Group containing all contracts that, upon initial recognition, Baloise assumes are onerous within the meaning of IFRS 17 (see explanation below)
- Group containing all contracts that are not onerous and, upon initial recognition, have no significant probability of becoming onerous subsequently
- Group containing all other contracts

The Baloise Group applies various qualitative and quantitative factors to assess the risk that a contract will become onerous subsequently.

One exception arises due to EU rules on unisex rates, which prohibits the charging of different premiums according to gender. When forming groups of insurance contracts in accordance with IFRS 17, Baloise groups together any contracts affected by this that otherwise have the same risk profile.

In the final step, these profitability groups are divided up on the basis of calendar year to form the GICs. Each contract remains in the GIC to which it was originally assigned until derecognition. New contracts recognised during a calendar year are added to the GICs on an ongoing basis.

These criteria for grouping contracts apply both to contracts in which the Baloise Group takes on risk and to reinsurance contracts held.

The Baloise Group recognises GICs for the first time at the earliest of the following three points in time:

- The beginning of the coverage period
- The date on which payment of the first premium becomes due or, in the case of contracts that do not have an explicit premium due date, the date on which the premium is received
- The date on which the GIC becomes onerous

New contracts are assigned to a GIC on an ongoing basis as soon as they satisfy one of these conditions formulated for the GICs. The Baloise Group has defined line of business-specific profitability criteria in order to determine the need for a separate test for the third criterion for GICs before the first two criteria have been satisfied.

12.1.4 Measurement and recognition of insurance contracts in accordance with the general measurement model (GMM)

The standard method for measuring liabilities or assets arising from insurance contracts is the general measurement model (GMM), which is described in this note by referring to the individual components:

- Estimates of future cash flows, taking account of options and guarantees
- Adjustment to reflect the time value of money and financial risk (discounting)
- Risk adjustment for non-financial risk
- Contractual service margin (CSM) representing the unearned profit that will be recognised on the agreed services

The sum of the first three components is also referred to as fulfilment cash flows (FCFs). For these components, the methods used for measurement on initial recognition and for subsequent measurement are identical.

Under IFRS 17, the GMM is modified in the case of contracts with certain characteristics and reinsurance contracts held. This is optional in some cases and mandatory in others. The characteristics of these modifications and their application in the Baloise Group are presented in the line of business-specific notes.

Regardless of the measurement method, IFRS 17 requires the part of the reserve recognised for claims already incurred (liability for incurred claims, LIC) to be separated from the part of the reserve recognised for remaining coverage (liability for remaining coverage, LRC).

The following note sets out the recognition rules for the statement of comprehensive income.

Cash flows

The starting point for the measurement of insurance contracts is a current estimate of all future fulfilment cash flows paid or received by the Baloise Group that arise within the contract boundary. The contract boundary is the earliest date on which the policyholder is no longer obliged to pay premiums and the Baloise Group can, on the basis of a new risk assessment, adjust the contract premiums or adjust the level of benefits without changing the level of premiums. All cash flows relating to premiums or claims outside the contract boundary are deemed to relate to a future contract under IFRS 17.

The expected value of all cash flows required to fulfil the insurance contract is estimated, taking account of options and guarantees. The estimate is updated as at each balance sheet date. No adjustments (increases or decreases) to compensate for uncertainties in the cash flows or their discounting are made as they are explicitly taken into account as explained below. Insurance acquisition cash flows are included in projections if they can be directly allocated to individual portfolios of contracts; administrative expenses are included if they can be directly allocated to individual GICs.

If the contracts in a GIC affect the cash flows of another GIC, these mutual effects are taken into account (known as mutualisation). Furthermore, all payments relating to non-distinct investment components are included in the projections just like all other cash flows. Incoming payments and outgoing payments that occur before or after the contractually stipulated due date are deferred or accrued, as appropriate, within the insurance contract liability.

Discounting

All future cash flows generally have to be discounted at current discount rates. This ensures that the time value of money and – where relevant – financial risks that affect the amount and timing of cash flows are taken into account in the measurement.

The Baloise Group discounts the cash flows from insurance contracts using discount rates that match the nominal currency and maturity of the cash flows and take account of the liquidity of the obligations. Where possible, the Baloise Group draws on discounting assumptions observable in liquid markets. If cash flows are expected at times for which no such discount rates are observable, the Baloise Group interpolates or extrapolates the observable discount rates using the Smith-Wilson method.

Financial risks predominantly affect cash flows in life insurance, in particular where benefits paid to the beneficiaries are directly or indirectly derived from the value or performance of financial assets. The Baloise Group takes account of these risks in discounting by taking a consistent, risk-neutral approach when selecting the expected returns that affect the cash flows and when selecting the discount rates for the discounting of these cash flows.

All of the aforementioned discounting principles apply both to insurance contracts issued by the Baloise Group and to reinsurance contracts held.

Cash flows without financial risks are generally discounted without taking account of credit risk, as measurement of the insurance contracts is based on the assumption that all obligations are fulfilled. The Baloise Group therefore uses the following discount rates:

	CHF			
	31.12.2023	30.06.2023	31.12.2022	30.06.2022
weighted average in %				
1 year	1.67	2.15	1.97	1.05
5 years	1.34	2.02	2.31	1.75
10 years	1.45	1.97	2.54	2.26
15 years	1.62	2.02	2.63	2.48
20 years	1.78	2.10	2.69	2.59

	EUR			
	31.12.2023	30.06.2023	31.12.2022	30.06.2022
weighted average in %				
1 year	3.42	3.98	3.36	1.34
5 years	2.39	3.16	3.20	2.21
10 years	2.50	2.95	3.18	2.58
15 years	2.62	2.95	3.18	2.80
20 years	2.63	2.86	3.04	2.77

				USD
	31.12.2023	30.06.2023	31.12.2022	30.06.2022
weighted average in %				
1 year	4.94	5.54	5.09	3.51
5 years	3.70	4.11	3.93	3.29
10 years	3.65	3.75	3.74	3.30
15 years	3.68	3.68	3.72	3.38
20 years	3.66	3.61	3.65	3.36

Risk adjustment for non-financial risk

Cash flows from insurance contracts are also subject to uncertainty about their amount and timing for non-financial reasons. For example, claims settlement, mortality trends or policyholder behaviour may not be as expected. These risks are taken into account using a risk adjustment for non-financial risk (risk adjustment), i.e. an explicit increase in the present value of the expected cash flows.

The Baloise Group determines the consolidated risk adjustment using the value at risk with a confidence level of 75 per cent and at the level of the strategic business unit, taking all relevant diversification effects into account. Details of the relevant calculation methods and the approaches taken to systematically allocate the risk adjustment to the individual GICs are provided in the division-specific notes.

Contractual service margin (CSM) and loss component (LC) – initial measurement

At initial recognition of a GIC, the Baloise Group assesses the expected cash flows over the entire term of all contracts in the GIC on a risk-adjusted and discounted basis, taking account of the following:

- All estimated future cash flows
- All cash flows at the time of initial recognition
- Release of all deferrals for payments made before initial recognition, including any insurance acquisition cash flow payments due

If the fulfilment cash flows give rise to a net inflow, an additional reserve component is recognised within the LRC, the contractual service margin (CSM). The CSM is initially recognised as the profit, calculated on the basis of IFRS 17, that the Baloise Group expects to earn as a result of providing cover and other services under the contracts within the GIC.

However, if this gives rise to a net outflow, this amount is shown within the LRC and is updated separately as a loss component (LC).

This generally means that contracts that are expected to have net inflows on the basis of IFRS 17 (also referred to below as profitable contracts) are initially recognised with no impact on the income statement. For GICs containing contracts that are expected to have net outflows (referred to below as onerous GICs), an expense arises upon initial recognition in the amount of the expected net losses.

Contractual service margin – subsequent measurement

If further contracts are added to a GIC after initial recognition, the net inflow from these contracts expected at that time – whether positive or negative – is taken into account in the GIC's CSM. Furthermore, if a GIC contains contracts that are denominated in a currency other than the functional currency of the strategic business unit, the GIC's CSM is adjusted for the effects of changes in exchange rates.

In addition, the expected net profits accrued in the CSM at the time of initial recognition are essentially adjusted in three stages in each period:

- Accretion of interest on the opening balance for the period
- Netting of certain changes to the fulfilment cash flows expected for future periods
- Pro rata release to profit or loss of any remaining positive CSM amount

Interest is accreted at the rate that was used to discount cash flows without financial risk at the time of initial recognition of the contracts in the GIC. As the contracts may be recognised in the GIC at different times, this interest is calculated as a weighted average for all of the contracts in the GIC.

Any changes to the fulfilment cash flows for coverage to be provided after the end of the period and other services are also measured on the basis of this average interest where such changes arise due to the updating of non-financial assumptions (e.g. mortality assumptions).

In the event of a net reduction in this measurement of the fulfilment cash flows on the basis of the aforementioned average interest, any existing CSM of the GIC is increased by the resulting additional margin in the contracts.

In the event of an increase in this measurement of the fulfilment cash flows, any existing CSM of the GIC is reduced by the resulting loss of a margin in the contracts. This adjustment must not result in a negative CSM. Therefore, if the adjustment to be made exceeds the existing CSM, the amount representing this excess increases the entire LRC and is recognised in profit or loss immediately. This amount is disclosed separately as a loss component and is updated separately going forward.

If a loss component was recognised for a GIC in prior periods, any change in the measurement of the fulfilment cash flows on the basis of the average interest is offset against the loss component in profit or loss. As is also the case for the CSM, a loss component cannot be negative. Any excess amount resulting from the changed measurement is recognised in the CSM and is therefore not recognised in profit or loss. Every GIC therefore has either a CSM or a loss component.

Furthermore, the CSM is adjusted to reflect the following experience deviations, i.e. differences between the amounts expected for a particular period and the amounts of the actual payments:

- All experience adjustments for non-distinct investment components
- For premiums: the share of the experience adjustment that relates to future cover or other services

In the last step, the Baloise Group determines the proportion of any remaining positive CSM amount that relates to the performance of services under the insurance contract in the current period. The number of coverage units – a measure for all services to be provided – for each contract in a GIC is determined for the period and for all remaining periods in which services are still to be provided. The release of the CSM for the period is then carried out on the basis of the number of coverage units for all contracts in the GIC for the current period relative to the total coverage units at the end of the period.

The coverage units are identified on a product-specific basis.

Loss component – subsequent measurement

A loss component is a component of the liability for remaining coverage (LRC), irrespective of whether it has to be recognised at the time of initial recognition of a GIC or whether it arises while coverage is being provided owing to the aforementioned adjustments. It is essentially changed by the same influences that, in the case of profitable GICs, adjust the amount of the CSM; in particular, the Baloise Group releases a loss component amount in the same way as it does for the CSM on the basis of coverage units until coverage is no longer provided. In contrast to the CSM, however, all changes to the loss component are recognised in profit or loss:

- All changes within the loss component are part of the insurance service expenses.
- In addition, each amortisation of the loss component on the basis of coverage units is netted with the insurance revenue for the period. In line with IFRS 15, the Baloise Group thus ensures that the insurance revenue does not exceed the premiums collected over the term of the GIC.

Insurance acquisition cash flows for future renewals

If insurance acquisition cash flows are economically attributable not to the new contract but to the expected renewal of this contract, Baloise allocates the share of the cash flows for such future renewals systematically and taking account of the expected number of renewals within the LRC of the related PIC. The Baloise Group regularly reviews the recoverability of the insurance acquisition cash flows allocated in this way, taking account of the expected renewals and their profitability. Impairment losses are recognised immediately in profit or loss for any unrecoverable amounts and, along with any subsequent reversals of impairment losses, are shown under insurance service expenses.

This allocation is not dependent on the measurement model. However, insurance acquisition cash flows for future renewals currently arise predominantly in connection with short-term contracts in the non-life business.

Derecognition and modification of insurance contracts

The Baloise Group derecognises an insurance contract when:

- all obligations under the contract are extinguished or discharged, or
- modification of the insurance contract would have resulted in it being classified differently, assigned to a different GIC or given a materially different contract boundary, or would have resulted in other contract components being separated. In this case, the Baloise Group recognises the modified contract as a new contract.

This modification of a contract represents an amendment to the contract terms, either by way of agreement between the parties or due to changes to the legal basis. The policyholder’s exercise of an option provided in the contract does not constitute a modification.

For contracts derecognised from a GIC, the Baloise Group identifies all fulfilment cash flows and, where relevant, the related coverage units. The measurement of the GIC is then adjusted by reducing the fulfilment cash flows and by adjusting the CSM for those cash flows that – depending on the measurement method – would lead to an adjustment of the CSM.

If the reason for derecognition was the sale of the contracts to a third party or one of the types of modification mentioned above, the Baloise Group adjusts the CSM for the contracts being derecognised as follows:

- For contracts transferred to a third party, the CSM adjustment equates to the difference between the change in the fulfilment cash flows that is offset against the CSM and the amount that the third party charges as the premium for taking over the obligations from Baloise.
- For modified contracts, the CSM adjustment is calculated as the difference between the changes in the fulfilment cash flows affecting the CSM and the premium that the Baloise Group would charge if it had entered into the modified contract directly on the date of the modification. The premium determined in this way is also used to determine the CSM of the modified contract.

Recognition of insurance contracts in accordance with the general measurement model (GMM) in comprehensive income

Comprehensive income for insurance contracts is broken down into three disclosure groups:

- Insurance revenue
- Insurance service expenses, referred to in combination with insurance revenue as the insurance service result
- Insurance finance income or expenses (IFIE)

The presentation of all the components in comprehensive income is described below. All items recognised within the insurance service result are recognised exclusively in profit or loss.

Insurance revenue

The insurance revenue for a period generally comprises the following items:

A. The consideration expected at the beginning of the period for the provision of services for new claims incurred in the period and expected payments for all other services under the contract (excluding insurance acquisition cash flows that can be allocated), netted (where applicable) with the release of the loss component on the basis of the coverage units
B. Release of the CSM to profit or loss on the basis of the coverage units
C. Release of the part of the risk adjustment that was recognised for uncertainty relating to the current period
D. The share of experience adjustments for premiums relating to the coverage provided in the current period and to other services
E. A share for amortisation of the insurance acquisition cash flows that can be allocated directly

The Baloise Group systematically calculates shares of these amounts that are attributable to any loss component and presents them as part of the insurance service expenses.

Furthermore, the amounts in bullet point A. are reduced by the amount of actual non-distinct investment components. Baloise determines the recognition of revenue for insurance acquisition cash flows per period pursuant to bullet point E. for a group of insurance contracts, starting with the actual cash flows on the basis of the coverage units.

Insurance service expenses

The insurance service expenses for a period comprise the following items:

F. The actual payments for new claims incurred in the period and actual payments for all other services under the contract (including contract management costs, but excluding insurance acquisition cash flows that can be allocated)
G. A share for amortisation of the insurance acquisition cash flows that can be allocated directly (equates to the value in bullet point E. for insurance revenue)
H. Changes to the risk-adjusted present value of expected payments for claims that have already been incurred (excluding effects attributable to market effects)
I. Changes to any loss components, including financial effects

The amounts in bullet point F. are, where applicable, reduced by precisely the same expected value for non-distinct investment components paid as the values pursuant to bullet point A. for insurance revenue. Differences between actual and expected payments of non-distinct investment components are offset against the CSM or loss component, taking account of the time value of money.

Insurance finance income or expenses

Insurance finance income or expenses constitute the total of all changes in the measurement of insurance and reinsurance contracts that are due to financial effects. This comprises the reduction in the period of discounting (unwinding the discount) and the effects of interest rate changes and other market effects that have a direct impact on the cash flows.

For contracts for which market parameters indirectly affect benefits that are at the discretion of the Baloise Group, Baloise Group specifies at initial recognition and in a systematic way which changes in fulfilment cash flows relate to financial risk.

For each PIC, there is an option in respect of the insurance finance income or expenses to either recognise the total amount in profit or loss or to disaggregate it into a share recognised in profit or loss and a share recognised in other comprehensive income. The option is used for the PICs measured using the GMM, for the liability for incurred claims, and for the traditional life insurance business in Germany and Switzerland, which is measured using the variable fee approach (VFA). Where applicable, the disaggregation method is discussed separately for the life insurance portfolios and the non-life insurance portfolios.

12.1.5 Non-life insurance contracts and the premium allocation approach

Generally, all standardised non-life products contain sufficient insurance risk to be classified as insurance contracts under IFRS 17. The Baloise Group has created the following portfolios for this business:

- Motor – third-party liability
- Motor – comprehensive
- General liability – personal
- General liability – commercial
- Accident (compulsory accident insurance)
- Accident – other
- Health
- Property – personal
- Property – commercial
- Marine
- Other

Premium allocation approach (PAA) - scope of the PAA

IFRS 17 gives entities the option to simplify the measurement of the liability for remaining coverage (LRC) for certain contracts. This simplification, also known as the premium allocation approach (PAA), can generally be used for all GICs in which all contracts – taking account of the contract boundary pursuant to IFRS 17 – have a coverage period of one year or less. A contract's coverage period is the period during which the contract guarantees insurance cover and other services. This criterion is satisfied for most of the non-life business, either because the contracts have a one-year term or because the contract boundary of the contracts that, in legal terms, are multi-year contracts, is one year. This is usually the case when the Baloise Group has a right to adjust the premiums at the end of each year.

The PAA may also be used for all GICs where the PAA would produce a measurement of the LRC that would not be materially different to the measurement under the general measurement model (GMM).

The Baloise Group uses the PAA for all non-life contracts that satisfy at least one of the aforementioned criteria.

If, as a result of a portfolio transfer or the acquisition of a company, the Baloise Group takes on obligations relating to claims already incurred, the cover provided consists of settlement of the claims, which means that the coverage period for these claims equates to the expected remaining settlement period.

Impact of the premium allocation approach

The PAA has no fundamental impact on the classification, initial recognition and derecognition of contracts or on the separation of components and embedded derivatives. In the Baloise Group, the measurement of claims incurred is also identical for PAA contracts.

However, the measurement of the liability for remaining coverage (LRC) does differ materially. Starting with the premiums received and upon initial recognition of a GIC, the LRC is measured as

- any premiums received at the time of initial recognition, minus
- any insurance acquisition cash flows paid before the time of initial recognition, plus
- any adjustment of the liability based on the test, described below, for ascertaining whether contracts are onerous.

Under the PAA, the LRC is subsequently measured as:

- the amount of the LRC at the beginning of the period, plus
- any premiums received in the period, minus
- any insurance acquisition cash flows paid in the period, minus
- the share of the deferred premiums that were recognised in the period as insurance revenue, plus
- the share, recognised in insurance service expenses, of the period for insurance acquisition cash flows, plus
- the interest adjustment for any financing component in the LRC, plus or minus
- the change in any adjustment of the liability on the basis of the onerous contract test.

All changes to a loss component are recognised immediately, and exclusively, in insurance service expenses.

Onerous contract test

The Baloise Group has defined certain indicators that determine when a GIC measured using the PAA must be checked to test whether it is onerous. To this end, the Baloise Group compares the part of the LRC that is based only on deferrals of premiums paid and insurance acquisition cash flows paid with the GIC's fulfilment cash flows that are expected for the coverage still to be provided. If the expected net payments calculated in this way are higher than the LRC, the deferral of insurance acquisition cash flows is released to profit or loss and then, if necessary, the LRC is increased by a loss component in the amount of any remaining difference, such increase being recognised in profit or loss. Contracts in respect of which a loss component has to be recognised at the time of initial recognition are assigned to a GIC for onerous contracts.

Measurement of the liability for incurred claims

The liability for incurred claims (LIC) is recognised for all claims that were incurred up to the measurement date, irrespective of whether they have been reported or not. The liability is calculated as the risk-adjusted present value of the best estimate of the outstanding claim payments and claim settlement costs. A CSM is never recognised for the LIC because expected profits are accrued only for the remaining coverage.

Payment estimates

To calculate the expected nominal values of the payments 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 the knowledge of the experts entrusted with the handling of claims.

The expected claim payments consist of three components. The basis is formed by the reserves calculated using actuarial methods. The second component comprises reserves for those complex special cases and events that are not subject to purely statistical evaluation. These are generally rare claims that are fairly atypical of the sector concerned and are usually large claims whose costs have to be estimated by experts on a case-by-case basis. The third component consists of payments for annuities that are projected using actuarial principles, such as assumptions about mortality, and are largely derived from claims in the motor, liability and accident insurance portfolios. To supplement the various internal control mechanisms, the Baloise Group has the reserves – and the methods used to calculate them – reviewed regularly by external specialists.

Discounting

The Baloise Group discounts the liability for incurred claims using discount rates that are consistent with the currency and maturity of the expected claims, reflecting the fact that nominal values are estimated for the cash flows. The Baloise Group uses the discount rates shown in the tables in note 12.1.4.

For the entire non-life business, the Baloise Group disaggregates the total change in the liability for incurred claims resulting from discounting effects into a share recognised in profit or loss and a share recognised in other comprehensive income. The share of the financial effects recognised in profit or loss is determined – as per recognition at amortised cost – on the basis of the discount rates applicable at the time that the claim is incurred.

Risk adjustment for the liability for incurred claims

The settlement of obligations relating to claims incurred is subject to uncertainty regarding the amount and timing of the payments to be made. This uncertainty is of a non-financial nature, so the Baloise Group recognises a risk adjustment as an additional component of the measurement of the LIC. It calculates the amount of the risk adjustment by referring to the historical volatility of claim estimates in its portfolios and, where necessary due to the non-availability of data, by referring to data for comparable portfolios. The amount of the risk adjustment for the liability for incurred claims corresponds to the consolidated risk adjustment with a 75 per cent confidence level.

The risk adjustment is updated for each contract entered into. Changes to the risk adjustment for claims incurred are generally recognised in profit or loss. For those GICs for which the Baloise Group disaggregates the entire change resulting from interest effects between profit or loss and other comprehensive income, the effect of changes in interest rates on the measurement of the risk adjustment is also shown in other comprehensive income.

Non-life contracts measured using the GMM

Contracts for non-life insurance are measured using the GMM if they do not satisfy the criteria for the PAA. For these contracts, the Baloise Group uses the GMM rules (described above), including the definition of the coverage units.

Transition for non-life insurance contracts

For first-time adoption, the Baloise Group used the full retrospective approach to measure virtually all non-life insurance contracts, i.e. measurement at the transition date was based entirely on historical application of IFRS 17 since acquisition of the contracts. This affects not only business entered into by the Baloise Group itself but also all portfolios acquired as a result of acquisitions (business combinations) or portfolio transfers from the date of transfer.

12.1.6 Life insurance contracts

For its life insurance business, the Baloise Group forms the following portfolios as the basis for determining the groups of insurance contracts (GICs):

- Endowment life insurance and pure whole-life insurance
- Annuities
- Disability insurance
- Unit-linked contracts
- Hybrid products, i.e. products that have both features of unit-linked insurance and features of traditional endowment insurance
- Investment contracts with DPF
- General group insurance
- Swiss group insurance for semi-autonomous funds
- Swiss group insurance purely with risk coverage
- Other life business

For the measurement of all life insurance contracts, the following aspects are significant in addition to the GMM-based standard approach described above.

Cash flows and underlying items

In many life insurance contracts, the level of the policyholder benefits depends on the performance of certain underlying items, such as the surpluses of a particular portfolio or legal entity or the returns on clearly defined investments. A material portion of these payments is often granted in the form of participation features, and the Baloise Group has some degree of discretion in deciding when and in what amount payments are made. Depending on how the product is structured, such benefits may be combined with guaranteed benefits.

The projection of all cash flows for life insurance contracts takes all relevant influencing factors into account including, but not limited to, mortality, invalidity rates, policyholder behaviour, changes in costs and the possible courses of action open to senior management in certain scenarios. The Baloise Group determines these assumptions on the basis of its own statistics, supplemented in some cases by industry-specific or other external information and trends (e.g. mortality improvements, inflation). The Baloise Group uses stochastic models for assumptions without symmetrical distribution around their expected value and for cash flows that do not respond to changes in variables in a non-linear fashion.

Discounting of payments

The assumptions for projecting the performance of investments that affect insurance contract payments are consistent with the discount rates that are used to discount these payments and that thus take account of the financial risk in these payments. To this end, the Baloise Group uses a risk-neutral approach that also includes the measurement of options and guarantees.

Risk adjustment

For all life insurance contracts, the risk adjustment is applied as an increase to the cash flows that have been discounted on a risk-neutral basis. To do so, the Baloise Group determines – at the level of the strategic business unit – the most probable combination of all simultaneous movements in all non-financial parameters, such as mortality, policyholder behaviour and future costs, that correspond to a value at risk with a confidence level of 75 per cent. Using this combination of parameter movements, the risk adjustment is determined for each GIC as the difference between the discounted cash flows with the expected assumptions and the discounted cash flows with the adjusted assumptions.

Coverage units

The Baloise Group determines the coverage units for all life insurance contracts using a consistent approach: For each GIC, the future benefits for the granting of insurance cover, guaranteed investment returns and other investment services are measured and weighted using suitable metrics. In this process, the Baloise Group takes account of both guaranteed benefits and benefits arising from expected participation features. The present value of these benefits forms the coverage unit at each measurement date. To calculate the present value, the same assumptions as for determination of the fulfilment cash flows are used. However, for GICs measured using the GMM, the discount rates applicable at the time of initial recognition of the GIC are used to ensure consistency in the measurement of the CSM.

Recognition of insurance finance income or expenses

For life insurance contracts measured using the general measurement model, there is also an option for each portfolio to disaggregate the total change in the liability for insurance contracts resulting from financial effects into a share recognised in profit or loss and a share recognised in other comprehensive income.

For those PICs in life insurance that the Baloise Group measures using the general measurement model and for which it exercises the option, the share of the insurance finance income or expenses to be recognised in profit or loss is dependent on how the payments to policyholders are determined. Typically, the payments to policyholders are determined on the basis of expected crediting rates and, in these cases, the Baloise Group applies the actual amounts credited and the amounts expected to be credited in future. The share recognised in profit or loss is based on the internal interest rate method only in exceptional cases.

Contracts with direct participation features and the variable fee approach (VFA)

Contracts with direct participation features

The Baloise Group classifies insurance contracts that satisfy each of the following three criteria as contracts with direct participation features:

- The contractual terms specify that the policyholders participate in a clearly identified pool of underlying items. For the purposes of this definition, participation does not prevent the entity from exercising discretion regarding the payment of certain amounts, but the policyholders must be able to enforce their right.
- Based on best estimates at the time of initial recognition of the contracts, the Baloise Group expects to pay to the policyholders an amount equal to a substantial share of the fair value returns on the underlying items.
- At the time of initial recognition of the contracts, the Baloise Group expects – based on its best estimates – that a substantial proportion of the total amounts to be paid to the policyholders will vary in line with the change in the fair value.

Generally, investment contracts with DPF satisfy the definition of a contract with direct participation features. Nonetheless, these are different concepts for different aspects of contract classification.

In the Baloise Group, the following contracts within the scope of IFRS 17 are classified as contracts with direct participation features:

- Unit-linked, index-linked and investment-linked contracts
- Swiss group life business
- Other individual life insurance with participation features in Switzerland
- Traditional German life insurance with participation features

Variable fee approach

For contracts with direct participation features, a modified version of the general measurement method must be used that is also known as the variable fee approach (VFA). In contrast to the premium allocation approach, use of the VFA is mandatory.

Measurement of the risk-adjusted present value of all future payments (fulfilment cash flows) is unaffected and is thus carried out in the same way as for the general measurement model. The modifications to the measurement method therefore only affect the measurement of the contractual service margin:

- The share of changes to the expected payments for future coverage that are attributable to changes in the fair value of the underlying items is not recognised as an adjustment of the CSM but rather is recognised in the same way as the change in the fair value of the underlying items.
- However, all other changes in the fulfilment cash flows for remaining coverage – particularly benefits based on options and guarantees – are generally offset against the CSM, although the CSM is – contrary to the GMM – adjusted on the basis of current market interest rates. The explicit accretion of interest on the CSM is thus not carried out for the variable fee approach.

There are no further differences to the measurement approach under the GMM. For VFA contracts, this particularly includes the following. In the event of an increase in the fulfilment cash flows that are offset against the CSM and exceed the amount of the CSM, a loss component has to be recognised for the GIC. Any subsequent changes to the cash flows are initially offset against this loss component before a CSM can be recognised for the GIC again. A positive CSM amount is released per GIC at the end of the period using suitable coverage units, as described above.

Book yield approach

For contracts with direct participation features, there is also the option to disaggregate the entire change in insurance contract measurement resulting from market effects, recognising a share in profit or loss and a share in other comprehensive income.

Where this option is exercised for contracts that have direct participation features and for which the Baloise Group holds the underlying items that affect their performance, the Baloise Group uses the book yield approach, in which it determines the share recognised in profit or loss of the total change in the insurance contract liability resulting from market influences as precisely the opposite amount of the share recognised in profit or loss of the changes in the fair value of the underlying items resulting from market influences. All other shares of insurance finance income and expenses are recognised in other comprehensive income.

The Baloise Group uses the OCI option only for contracts with direct participation features in Germany and Switzerland.

Transition for life insurance contracts

For the first measurement of life insurance contracts in accordance with IFRS 17, the Baloise Group first identified – separately for each unit that operates life insurance business – the earliest point in time in the past from when all the information was available for all contracts to be able to apply the full retrospective approach from this point in time. For contracts that were initially recognised before this time, the Baloise Group determined the necessary data for periods lying further back in the past on the basis of the modified retrospective approach or the fair value approach.

For the modified retrospective approach, Baloise uses any available assumptions and information that would be applicable to the full retrospective approach. This applies, in particular, to the updating of the CSM and loss component. For parts of portfolios that are measured using the fair value approach, the Baloise Group applies the principles of IFRS 13 Fair Value Measurement to the insurance contracts.

12.1.7 Reinsurance

Reinsurance contracts are insurance contracts between insurance companies and/or reinsurance companies. There must be a transfer of significant insurance risk for a transaction to be recognised as reinsurance; otherwise, the transaction is treated as a financial contract.

Inward reinsurance is any transaction in which the Baloise Group is the risk-taker. It is recognised, measured and presented on the basis of exactly the same rules as for any other risks taken on directly.

Outward reinsurance is the business ceded to insurance companies outside of the Baloise Group and includes transactions ceded from direct life and non-life business and from inward reinsurance. The general recognition and measurement rules in IFRS 17 vary for this type of risk cession in a number of aspects. All references to reinsurance in the rest of this note therefore relate solely to outward reinsurance held.

Initial recognition and formation of groups

The timing of the initial recognition of a reinsurance contract varies depending on the type of reinsurance:

Generally, the reinsurance contract is recognised on the date on which its coverage begins, but no later than the date on which an onerous GIC is recognised if the reinsurance contract was not entered into after this date. Furthermore, Baloise recognises reinsurance contracts that provide proportionate coverage no earlier than when the reinsured business is recognised.

In the same way as for gross business, outward reinsurance contracts are divided into groups of insurance contracts (GICs). These are formed independently of the GICs used in business underwritten by the Baloise Group itself.

The netting of gross business and reinsurance business is prohibited.

For measurement purposes, a distinction is made between two types of outward reinsurance. Retroactive reinsurance refers to the subsequent signing of a reinsurance contract for claims already incurred in gross business. The purpose of such cover is, for example, to protect against uncertainty about the remaining settlement of a portfolio of claims already incurred. Prospective reinsurance is when claims not yet incurred in gross business are reinsured.

Measurement of outward reinsurance

Outward reinsurance is generally measured using the same approaches as for gross business. The Baloise Group uses the PAA for all GICs of reinsurance contracts that satisfy the criteria for the PAA. Reinsurance contracts cannot be classified as contracts with direct participation features, which is why the variable fee approach cannot be used.

Cash flows and discounting

The expected cash flows for reinsurance – including reinsurance premiums ceded and the expected reimbursements from the reinsurer – are updated at each measurement date. The Baloise Group determines these expected payments consistently based on expectations for the reinsured business, taking account of the specific contract boundaries for ceded business. In this context, the Baloise Group distinguishes between payments that depend directly on claims in the reinsured business and all other payments.

In addition, the expected payments are adjusted directly for the risk of non-performance by the reinsurer in order to take account of the risk that the Baloise Group does not receive the reimbursement expected from the reinsurer. When recognising the risk of non-performance, the Baloise Group takes account of any collateral provided by the reinsurer. Changes in the measurement of the claims against the reinsurer resulting from changes in the estimate of non-performance risk are not offset against any CSM. Instead, they are recognised directly in profit or loss, under insurance finance income or expenses.

Discount rates are chosen using the same approaches as for gross business, without any adjustment.

Risk adjustment

The Baloise Group determines the risk adjustment for outward reinsurance as a reduction of the risk in gross business resulting from reinsurance. The risk adjustment thus increases the measurement of the claims against the reinsurer. The reduction is determined pro rata on the basis of the risk adjustment for the ceded business in proportion to the reinsurance’s share of the risk transfer.

Contractual service margin

Upon initial recognition of groups of reinsurance contracts, the Baloise Group always recognises a CSM in an amount that means that initial measurement results in neither an asset nor a liability. In contrast to gross business, this may result in a CSM both for positive and for negative expected fulfilment cash flows, and a loss component is never recognised.

Subsequent measurement of the CSM of a group of reinsurance contracts is based on the balance brought forward, essentially in the same way as for contracts in gross business that are measured using the GMM. In particular, the Baloise Group also identifies coverage units for groups of reinsurance contracts. These coverage units are used to determine the release of the CSM to profit or loss.

Contrary to the process described above, the Baloise Group recognises expected losses immediately upon initial recognition of retroactive reinsurance contracts. Profits expected at the time of initial recognition must also be accrued in a CSM; for subsequent measurement, the general rules for updating the CSM for reinsurance apply.

The measurement of reinsurance contracts is also adjusted if a loss component has to be recognised for the reinsured business. In this case, the Baloise Group calculates the percentage of the losses in gross business that are covered by reinsurance and, for the reinsurance contracts, recognises a loss recovery component (LORECO) in the amount of the reinsured share of the loss component.

The LORECO increases the measurement of the claim against the reinsurer, and each change to the LORECO is shown as part of the insurance service result for reinsurance.

Reinsurance transition

The measurement of reinsurance claims on the IFRS 17 balance sheet is subject to the same general principles as for gross business.

Interim financial reporting

The Baloise Group reverses previous accounting estimates set out in the interim financial reporting in relation to the measurement of contracts in the scope of IFRS 17 for subsequent reporting in the same financial year.

12.2 Investments and financial liabilities

The term "investments" is used in the financial report for the sake of clarity. Investments encompass both investment property and financial assets. Financial assets consist of financial instruments with characteristics of equity, financial instruments with characteristics of debt, mortgages, loans, derivatives (assets), cash and cash equivalents, and receivables.

Financial liabilities consist of liabilities arising from financial contracts, derivatives (liabilities) and other financial liabilities.

12.2.1 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 divided 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.

12.2.2 Financial assets

A distinction is made between investments for own account and at own risk on the one hand and investments for the account and at the risk of customers and third parties on the other. Investments for the account and at the risk of customers and third parties are assets from premiums for unit-linked or investment-linked life insurance contracts in which policyholders themselves bear the investment risk in accordance with the investment objectives. Accordingly, and in contrast to investments for own account and at own risk, the Baloise Group has no rights in respect of these investments. The associated liabilities resulting from investments for the account and at the risk of customers and third parties are recognised under "Liabilities arising from financial contracts" on the equity and liabilities side of the balance sheet.

The following asset classes are reported as financial instruments with characteristics of equity: shares, units in equity funds, mixed funds, real estate funds, bond funds, money market funds and alternative financial assets such as private equity investments and hedge funds. Financial instruments with characteristics of equity are generally more frequently exposed to price volatility than financial instruments with characteristics of debt.

Financial instruments with characteristics of debt predominantly encompass securities such as bonds and other fixed-income securities. They are usually interest-bearing and are issued for a fixed or determinable amount.

Mortgages and loans are financial instruments with fixed or determinable payments and are generally not traded in an active market, with the exception of registered bonds and promissory notes that are actively traded in the market.

Derivatives are swaps, futures, forward contracts, options, etc. 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.

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

Recognition and measurement

IFRS 9 Financial Instruments uses two criteria to classify financial assets and their measurement:

- Business model
- Characteristics of the contractual cash flows

The business model indicates how the entity manages its financial assets in order to generate cash flows:

- By collecting contractual cash flows (the cash flows are predominantly from interest payments and capital repayments – 'held to collect')
- By selling financial assets (the cash flows are predominantly from the purchase and sale of assets – 'trading and other')
- A combination of the two models described above ('held to collect and sell')

Another criterion to be applied in the classification of financial assets is whether the contractual cash flows are solely payments of principal and interest (SPPI). In this model, interest primarily means consideration for the time value of money, consideration for credit risk and a profit margin. Interest is recognised using the effective interest method.

Based on an analysis of the business model and the nature of the contractual cash flows, a financial asset is allocated to one of the three categories upon initial recognition and subsequently measured accordingly:

- At amortised cost (AC)
- At fair value through other comprehensive income (FVOCI)
- At fair value through profit or loss (FVPL)

All regular purchases of financial assets are recognised on the trade date.

Upon initial recognition, all financial assets are measured at fair value irrespective of the category. With the exception of financial assets measured at fair value through profit or loss (FVPL), the transaction costs are part of the acquisition costs.

Amortised cost (AC)

A financial asset is measured at AC if it satisfies both of the following criteria:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows ('held to collect')
- It satisfies the SPPI criterion

The Baloise Group acquires fixed-income bonds (financial instruments with characteristics of debt) and issues held-to-maturity mortgages and loans in order to collect contractual interest payments. These instruments also satisfy the SPPI criterion. Receivables, cash and cash equivalents held by the Baloise Group are also recognised at AC and are generally carried at their nominal amount.

These financial assets are measured by applying the effective interest method to the amortised cost (gross carrying amount) and by recognising a loss allowance in profit or loss in the amount of the expected credit loss (ECL). The note "Impairment losses on financial assets (expected credit losses)" below provides information about the basis of measurement for determining the amount of the expected credit loss.

Currency translation effects on these items are also recognised in profit or loss.

Fair value through other comprehensive income (FVOCI)
A financial asset is measured at FVOCI if it satisfies both of the following criteria:

- It is held within a business model whose objective is both to collect contractual cash flows and to sell financial assets (‘held to collect and sell’)
- It satisfies the SPPI criterion

The Baloise Group acquires debt instruments (primarily bonds), registered bonds and promissory notes for the purpose of asset/liability management, i.e. to collect the contractual cash flows and/or to sell the financial assets. The financial assets in this portfolio are therefore measured at FVOCI, provided that they also satisfy the SPPI criterion.

Currency translation effects of financial instruments measured at fair value through other comprehensive income and the interest element calculated using the effective interest method are recognised in profit or loss. Any other changes in fair value, however, are recognised in other comprehensive income. The expected credit loss is also recognised in other comprehensive income and does not reduce the carrying amount of the financial instrument. When such financial instruments are sold, the cumulative gains and losses recognised in other comprehensive income are transferred to the income statement.

Fair value through profit or loss (FVPL)

- **Mandatorily measured at FVPL:** All financial instruments that do not satisfy the SPPI criterion and/or are not held in a ‘held to collect’ business model or in a ‘held to collect and sell’ business model are measured at FVPL. Changes in fair value are recognised in profit or loss as realised gains and losses on investments.

  The Baloise Group uses this measurement model for its trading portfolios and for financial instruments with characteristics of equity, provided that the option to measure them at FVOCI has not been exercised. Derivatives are included in this measurement category if they do not qualify as a hedge under IFRS. This is also the case even if they have a hedging function under the Baloise Group’s hedging rules. Both positive and negative replacement costs for derivatives are recognised at fair value on the balance sheet.
- **Designated as measured at FVPL:** An entity may, upon initial recognition, irrevocably designate financial instruments as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Baloise Group primarily exercises this option in respect of financial assets used to satisfy obligations under life insurance contracts.

  Mortgages and loans held as part of a fair value hedge are designated as at FVPL. These portfolios are measured using a present value method (yield curve).

FVOCI option (fair value through other comprehensive income)

Financial instruments with characteristics of equity are generally measured at fair value through profit or loss. At the level of the individual instrument, however, an entity may irrevocably elect, upon initial recognition, to recognise subsequent changes in the equity instrument's fair value in other comprehensive income, provided that the financial asset is not held for trading (FVOCI option).

The Baloise Group exercises this option for equities in the non-life business. All other financial instruments with characteristics of equity – including those held for trading – are measured at fair value through profit or loss.

Where financial instruments with characteristics of equity are measured at fair value through other comprehensive income, the gains and losses on changes in the fair value of these instruments are recognised in other comprehensive income. When these financial instruments are sold, the cumulative gains and losses recognised in other comprehensive income remain in equity and are transferred directly to retained earnings. Dividend income from these financial instruments is recognised in profit or loss.

Hedge accounting

At the time the contract is entered into, a derivative is classified either as a hedging instrument for the fair value of an asset or liability (fair value hedge), as a hedge for future transactions (cash flow hedge), as a hedge of a net investment in a foreign operation or – if it does not satisfy the criteria to qualify as a hedge – as a trading instrument (FVPL).

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 when the contract is entered into. Derivatives that no longer qualify as a hedge are reclassified as trading instruments.

- **Fair value hedges:** When the effective portion of a hedge is being accounted for, changes in the fair value of derivatives classified as fair value hedges are reported in the income statement together with the hedged portion of the fair value of the asset or liability concerned. The ineffective portion of the hedge is recognised separately in the income statement.
- **Cash flow hedges:** When the effective portion of a hedge is being accounted for, changes in the fair value of derivatives classified as cash flow hedges are recognised directly in equity. The amounts reported in equity under other comprehensive income are taken to the income statement at a later date in line with the hedged cash flows. The ineffective portion of the hedge is recognised in the income statement.

  If a hedging instrument is sold, terminated or exercised or if it no longer qualifies as a hedge, the cumulative gains and losses continue to be recognised directly in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the cumulative gains and losses recognised in equity are transferred to the income statement.
- **Hedges of a net investment in a foreign operation:** Hedges of a net investment in a foreign operation are accounted for in the same way as cash flow hedges. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity; the ineffective portion is recognised in profit or loss.

  The gain or loss recognised in equity is reclassified to the income statement upon the partial or full disposal of the foreign operation.

Structured products

Structured products are financial instruments (assets or liabilities) that contain embedded derivatives in addition to the host contract. 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 separated from the host contract and is recognised, measured and disclosed separately. If the derivative and the host contract are not separated, the structured product is designated as a host contract recognised at fair value through profit or loss.

Quoted market prices

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, the 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 and the prevailing market situation. Derivatives are measured using publicly quoted prices or on the basis of models. 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, 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, they are measured using prices quoted by independent third-party providers.

A detailed description of fair value measurement and the related disclosures can be found in the note on fair value measurement.

Securities financing transactions

Cash outflows from reverse repurchase (repo) transactions are offset by corresponding receivables. The financial assets received as collateral from the transaction are not recognised. The relevant transaction is recognised on the balance sheet on the settlement date.

Financial assets transferred as collateral under repurchase agreements continue to be recognised as financial assets. The cash inflows are offset by corresponding liabilities. The securities provided as cover for repos and reverse repos are measured on a daily basis at their current fair values.

The Baloise Group engages in securities lending only. Securities lending transactions may give rise to credit risk. Collateral is requested in order to hedge this credit risk by more than covering the underlying value of the securities that are being lent (mainly bonds). The value of the counterparty's collateral is regularly measured in order to minimise the credit risk involved. Additional collateral is immediately requested if this value falls below the value of required cover. The Baloise Group retains control over the securities throughout the term of its lending transactions, so it continues to recognise these financial instruments as financial assets on its balance sheet. The income received from securities lending is recognised in profit or loss.

12.2.3 Impairment losses on financial assets (expected credit losses)

The impairment principles in IFRS 9 are applied to financial instruments measured at amortised cost (AC) or at fair value through other comprehensive income (FVOCI), receivables (including rent receivables), lease receivables and off-balance-sheet loan commitments and financial guarantee contracts.

Under IFRS 9, expected credit losses (ECL) must be measured in a way that reflects the time value of money and an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The method of measurement must also take appropriate account of all available information about past events, current conditions and forecasts of future conditions.

Information about past events is used to analyse changes in credit quality between the start of the contract term and the current assessment date. Forward-looking information examines credit quality in the subsequent year and up to the end of the contract term. This expected change in credit quality is determined using macroeconomic factors. In particular, the analysis looks at macroeconomic and financial market indicators to determine whether the expected probability of default in the subsequent year has increased significantly compared with the initial estimate at the time of initial recognition.

Segmentation based on product type and collateral type is carried out for the ECL calculation. In addition to reducing complexity, this segmentation helps to ensure that the specific risks of the financial instruments in question are classified in homogeneous groups and that the relevant parameters for the ECL calculation are defined accordingly and are available in the system. From a conceptual perspective, the same criteria and parameters are always used across a homogeneous segment.

The expected credit losses are a probability-weighted estimate of credit losses within twelve months of the balance sheet date or over the expected life of the financial instrument, i.e. the weighted average of credit losses, with the weighting based on the respective credit risks. To estimate expected credit losses, the Baloise Group evaluates a range of possible outcomes in order to obtain an unbiased and probability-weighted amount. Although there is no need to identify each individual possible scenario, the probability that a credit loss will occur must always be taken into account, irrespective of its probability of occurrence. A probability-weighted estimate is not the same as a single estimate of the worst-case scenario, the best-case scenario or the most probable outcome.

A Group-wide approach is used to model the ECL.

Expected credit losses are generally measured on the basis of four components:
- Probability of default (PD)
- Exposure at default (EaD)
- Loss given default (LGD)
- Discount rate (based on the effective interest rate of the relevant position)

To calculate the ECL, the four components are multiplied:
ECL = PD x EaD x LGD x discount factor

Examples of the factors used by the risk management function to model the probabilities of default for the mortgage portfolio:
- Change in gross domestic product
- Movement in interest rates
- Change in the unemployment rate
- Change in the house price index

The modelling of the probabilities of default for the bond portfolio draws on credit spread forecasts; in the case of receivables, the historical probability of default is adjusted on the basis of an expert evaluation.

The (average) expected loss is recognised in the income statement when the transaction is entered into. At the balance sheet date, all affected positions are assigned to one of the following three stages on the basis of the change in the counterparty's credit quality:
- Stage 1 (performing)
- Stage 2 (underperforming)
- Stage 3 (non-performing)

Stage 1 (performing)
As a rule, all positions are assigned to stage 1 (performing) upon initial recognition unless the counterparty is already in default. For these assets, the twelve-month ECL must be calculated and recognised. This is the portion of the expected credit losses that result from default events that are expected within the twelve months after the balance sheet date, provided that the credit risk has not increased significantly since initial recognition.

Determination of a significant increase in credit risk
If credit risk increases significantly, the position must be classified as underperforming. The assessment of whether credit risk has increased significantly is carried out on the basis of the following factors:
- Quantitative criteria: The starting point is a comparison of credit risk over the residual life at the time of initial recognition and at each balance sheet date. On this basis, criteria are defined that are indicative of a significant increase in credit risk.

- Qualitative criteria: Determination of the quantitative criteria must also take qualitative criteria into account. These criteria are used in-house to identify insolvency or a higher probability that a counterparty will become insolvent or that the credit risk will remain elevated for the foreseeable future.
- Backstop indicators: A safety threshold (backstop) is applied in which contractual payments that are more than 30 days past due in stage 2 (90 days in stage 3) constitute a significant increase in credit risk.

Stage 2 (underperforming)
The Baloise Group recognises a loss allowance in the amount of the lifetime expected credit losses for financial assets whose credit risk is assumed to have increased significantly since initial recognition. This requires the ECL to be calculated on the basis of the lifetime probability of default, the lifetime loss given default and the lifetime exposure at default, which represents the probability of default for the residual term of the financial asset. The loss allowance for credit risk is higher in this stage because the credit risk increases and the effects of a longer horizon than the twelve months used in stage 1 are taken into account.

Stage 3 (non-performing)
Assignment to stage 3 is carried out only where a loss event has effectively occurred. For financial assets that are classified as in default, a loss allowance is recognised in the amount of the expected credit losses, taking account of a probability of default of 100 per cent based on the cash flows expected to be achieved from the asset. Financial assets that are already impaired upon initial recognition on the balance sheet are categorised within stage 3 with a carrying amount that reflects the lifetime expected credit losses (purchased or originated credit-impaired financial assets (POCI assets)).

In the event of assignment to stage 3, a loss allowance is recognised manually in the amount of the expected default, based on information about the loss event. A model is used to calculate the ECL for mortgage loans in stage 3. For financial instruments with characteristics of debt in stage 3, the ECL is not calculated using a model. Instead, suitable experts estimate the lifetime ECL.

Criteria for reversals of impairment losses
A financial instrument is reassigned from stage 2 to stage 1 if the above-mentioned qualitative and quantitative criteria are no longer met and the position has been regularly serviced again for at least 180 days. A financial instrument is reassigned from stage 3 to stage 1 if all of the necessary criteria for this transfer are satisfied and the position has been regularly serviced again for at least 360 days and no loss allowances have been recognised. There are no circumstances in which instruments are reassigned from stage 3 to stage 2. If an impairment loss is reversed, the position is transferred directly to stage 1 once the necessary conditions have been met.

Option for financial instruments with low credit risk
For bonds (including accrued interest), promissory notes and time deposits, the low credit risk exemption provided as an option under IFRS 9 is applied. Under this exemption, all investment-grade financial instruments are assigned to stage 1. These include non-speculative investments where there is a high probability that the outstanding receivable can be repaid and the credit risk is therefore low.

Simplified approach under the impairment model
The simplified approach is generally used for all rent receivables. These are usually of a short-term nature and therefore do not contain a significant financing component. The short-term nature of the receivables means that the expected twelve-month credit loss equals its lifetime expected credit loss, making a transfer from stage 1 to stage 2 irrelevant. Consequently, the expected credit loss for the residual life of the receivable is calculated for all rent receivables that are not past due.

Recognition of loss allowances on the balance sheet

On the balance sheet, the loss allowance for debt instruments measured at AC is deducted from the asset. For debt instruments measured at FVOCI, the loss allowance is recognised in other comprehensive income (equity) and therefore does not reduce the carrying amount of the asset on the balance sheet. This ensures that the carrying amounts of these assets are always equal to their fair value. The gross carrying amount of a financial asset is reduced if it is no longer reasonable to assume that it will recover, i.e. the outstanding receivable is no longer considered collectible or is cancelled. The timing of the write-off is determined individually on a case-by-case basis as soon as there is no longer any reasonable prospect of recovery. Where receivables are backed by collateral, the write-off is recognised only after the forced sale of the pledged assets, whereby the amount written off represents the remaining amount not covered by the collateral.

12.2.4 Revenue recognition

Interest income

Interest income from financial instruments that are not measured at fair value through profit or loss is recognised using the effective interest method. The calculation of interest income depends on the stage of the impairment model to which the financial instrument has been assigned.

In stages 1 and 2, there is no link between recognition of interest and impairment. The interest income is therefore calculated on the gross carrying amount (without deduction of the loss allowance). If a financial asset is assigned to stage 3, the interest income is calculated on the amortised cost of the financial asset (i.e. the gross carrying amount less the loss allowance) and not on the gross carrying amount.

Dividend income

Dividend income from financial assets is recognised in profit or loss as soon as a legal entitlement to receive payment arises.

12.2.5 The Baloise Group as a lessor

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

12.2.6 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.

12.2.7 Liabilities arising from financial contracts

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.

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.

12.3 Financial liabilities

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

12.3.1 Outstanding bonds

Outstanding bonds are measured at their acquisition cost (fair value) at initial recognition. 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 effective interest method.

12.3.2 Lease liabilities

The Baloise Group as a lessee

The Baloise Group leases real estate for office space and warehousing. It recognises right-of-use assets for these leases on its balance sheet. The related lease liability is initially measured at the present value of the lease payments that will be paid over the lease term, discounted at the lessee's weighted average incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method, including both an interest component and a principal component.

The lease liability and the right-of-use asset are recognised at the commencement date. The right-of-use asset is initially measured in the amount of the initial lease liability, adjusted for any initial direct costs and any incentives granted by the lessor. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the underlying asset. Both the formation of new leases and the termination of existing leases generate non-cash transactions in right-of-use assets and lease liabilities. On the balance sheet, right-of-use assets are recognised under the "Property, plant and equipment" line item.

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 on the balance sheet because Baloise has elected to apply the exemption provided in IFRS 16. Payments for such leases are expensed in the income statement on a straight-line basis over the lease term. The assets under short-term leases and low-value assets consist of operating equipment, parking spaces and other property, plant and equipment.

12.4 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 calculation of defined benefit obligations towards employees requires assumptions to be made about the economic benefit of assets, future increases in salaries and pension benefits, the discount rate to be applied and other parameters. The most important assumptions are derived from past experience of making estimates.

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.

12.4.1 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. The Baloise Group's pension plan agreements are tailored to local conditions in terms of enrolment and the range of benefits offered.

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.

12.4.2 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, the Share Participation Plan and the Performance Share Units (PSU) Plan. The PSU Plan 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 (cash or equity-settled).

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

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

12.5 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, assumptions are made about the recoverability of these tax assets; these assumptions are based on the financial track record and future income of the taxable entity concerned.

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.

12.6 Other income statement line items

12.6.1 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.

12.6.2 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.

12.7 Other balance sheet line items

12.7.1 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. An exception to this are owner-occupied buildings that are designated as underlying items for the measurement of life insurance contracts (VFA) and thus measured at fair value through profit or loss.

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

The recoverability and useful life of an item of property, plant and equipment is reviewed at each balance sheet date.

An impairment loss is immediately recognised on the carrying amount of an item of property, plant and equipment if its recoverable amount falls below its 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.

Information on initial recognition and subsequent measurement of right-of-use assets can be found in note 12.3.2.

12.7.2 Intangible assets

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 if there are objective indications that goodwill may be permanently impaired. 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 9.2. 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.

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.

12.7.3 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. 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.

12.7.4 Other assets

Other assets encompass various line items, primarily development projects earmarked for subsequent sale (such as apartments in blocks of apartments with multiple ownership). They 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).

12.7.5 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 note 10.2.5.

12.7.6 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.

Share capital

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

Capital reserves

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

Treasury shares

Treasury shares held either by Baloise 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 Baloise Holding Ltd shares are classified as treasury shares.

Other reserves

This line item includes unrealised gains and losses on changes in the fair value of financial instruments classified as FVOCI, the effects of cash flow hedges, the effects of hedges of a net investment in a foreign operation, exchange differences and gains on the reclassification of owner-occupied property as investment property. Cumulative actuarial gains and losses under defined benefit pension plans are also included in this line item. For portfolios of insurance contracts for which the Baloise Group recognises measurement effects in other comprehensive income owing to changes in financial assumptions, this line item contains the cumulative effects of these adjustments.

The related deferred taxes are deducted from the unrealised gains and losses. Any non-controlling interests are also deducted from these line items.

Retained earnings

Retained earnings include the Baloise Group's undistributed earnings and its profit for the period. This line item also contains the gains and losses on financial instruments with characteristics of equity measured at FVOCI that were sold in the reporting year. When a property, associate or joint venture is sold, the related reserves recognised in other comprehensive income that cannot be reclassified to the income statement are also reclassified to retained earnings. Dividends paid to the shareholders of Baloise Holding Ltd are only recognised once they have been approved by the Annual General Meeting.

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.

12.7.7 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 measurement of non-technical provisions requires assumptions to be made about the probability, timing and amount of any outflow of resources. A provision is recognised if such an outflow is probable and can be reliably estimated. If the amount of the obligation cannot be estimated with sufficient reliability, it is reported as a contingent liability.

12.8 Long-term equity investments and structure of the Baloise Group

12.8.1 Subsidiaries

The consolidated annual financial statements comprise the financial statements of Baloise 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.

12.8.2 Associates and joint ventures

Associates and joint ventures are initially carried at cost (fair value on 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 and joint ventures 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 or the joint venture, no further losses are recognised. Goodwill paid for associates and joint ventures is included in the carrying amount of the investment.

12.8.3 Structured entities

Structured entities are consolidated provided the criteria for control pursuant to IFRS 10 Consolidated Financial Statements 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 Financial Instruments: Presentation. 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.

12.8.4 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, but 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 on 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.

12.9 Currency translation

12.9.1 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 millions of Swiss francs, which is the Baloise Group's reporting currency.

12.9.2 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. 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. Non-monetary items measured at historical cost are measured using historical rates. Insurance contracts are monetary balance sheet line items.

Exchange differences are generally recognised in profit or loss. The exceptions are exchange differences relating to fair value through OCI financial instruments, cash flow hedges and hedges of net investments in foreign operations, which are recognised in other comprehensive income. If effects of insurance finance expenses relating to insurance contracts are recognised in other comprehensive income, the resulting currency effects are also recognised in other comprehensive income.

12.9.3 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.

12.9.4 Key exchange rates

	Balance sheet		Income statement	
	31.12.2023	31.12.2022	Ø 2023	Ø 2022
CHF				
1 EUR (euro)	0.93	0.99	0.97	1.00
1 USD (US dollar)	0.84	0.92	0.90	0.96

Report of the statutory auditor to the Annual General Meeting of Baloise Holding Ltd, Basel

Please refer to the German version of the Baloise Annual Report 2023, page 250, for the report of the statutory auditor, Report on the audit of the consolidated financial statements of Baloise Holding Ltd and its subsidiaries (the "Group"). The auditor's opinion dated 22 March 2024 is unqualified and confirms that the financial statements give a true and fair view of the consolidated financial position of the group as at 31 December 2023 in accordance with IFRS accounting standards and comply with Swiss law.

EY recommends that the consolidated financial statements submitted to the Annual General Meeting of Baloise Holding Ltd, Basel, be approved.

Please also refer to the disclosure on page 357 "Information on the Baloise Group" referencing the fact that only the German text of the annual report is legally binding.

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Baloise Holding Ltd

Income statement of Baloise Holding Ltd

	Note	2023	2022
CHF million			
Income from long-term equity investments		454.3	432.4
Income from interest and securities	2	41.3	38.5
Other income	3	36.4	11.8
Total income		**532.0**	**482.7**
Administrative expenses	4	– 39.4	– 44.5
Financial expenses	5	– 20.1	– 6.0
Interest expenses	6	– 26.1	– 19.8
Other expenses		– 2.8	– 3.5
Total expenses		**– 88.4**	**– 73.8**
Tax expense		**– 0.4**	**– 1.5**
Tax income relating to other periods		**0.7**	**0.0**
Profit for the period		**443.9**	**407.3**

Balance sheet of Baloise Holding Ltd

	Note	31.12.2023	31.12.2022
CHF million			
Assets			
Cash and cash equivalents		138.3	97.0
Receivables from group companies	7	377.1	378.2
Receivables from third parties		0.9	7.6
Other short-term receivables	8	–	84.0
Current assets		**516.3**	**566.8**
Loans to group companies	9	1,199.1	1,219.1
Long-term equity investments	10	1,993.3	1,953.4
Non-current assets		**3,192.4**	**3,172.5**
Total assets		**3,708.7**	**3,739.3**
Equity and liabilities			
Current liabilities			
Liabilities to group companies		5.4	7.6
Liabilities to third parties		2.2	2.3
Current interest-bearing liabilities to third parties	11	150.0	225.0
Deferred income		10.9	9.4
Non-current liabilities			
Long-term interest-bearing liabilities to group companies		451.0	637.1
Long-term interest-bearing liabilities to third parties	12	1,985.0	1,860.0
Provisions		0.1	0.9
Liabilities		**2,604.6**	**2,742.3**
Share capital		4.6	4.6
Statutory retained earnings			
General reserve		11.7	11.7
Reserve for treasury shares		5.4	7.8
Voluntary retained earnings			
Free reserves		644.4	573.6
Distributable profit:			
– Profit carried forward		0.1	–
– Profit for the period		443.9	407.3
Treasury shares	13	–6.0	–8.1
Equity	**14**	**1,104.1**	**997.0**
Total equity and liabilities		**3,708.7**	**3,739.3**

Notes to the financial statements of Baloise Holding Ltd

1. Accounting Policies

General

These annual financial statements of Baloise 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 Baloise 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 Baloise Holding reports as dividends receivable. They are recognised at their nominal amount.

Receivables from third parties / other short-term receivables

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

Loans to group companies

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

Derivative financial instruments

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

Long-term equity investments

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

Liabilities
Liabilities are recognised at their nominal amount.

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

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

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

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

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

Notes to the income statement

2. Income from interest and securities

CHF million	2023	2022
Income from treasury shares	0.4	0.4
Interest on loans to group companies	38.3	38.1
Realized income treasury shares	0.2	0.1
Other income from interest and securities	2.4	– 0.1
Total income from interest and securities	**41.3**	**38.5**

3. Other income

CHF million	2023	2022
Income from the sale of business	24.1	–
Sundry other income	12.3	11.8
Total other income	**36.4**	**11.8**

4. Administrative expenses

CHF million	2023	2022
Proportional personnel expenses[1]	– 22.6	– 26.5
Other administrative expenses	– 16.8	– 18.1
Total administrative expenses	**– 39.4**	**– 44.5**

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

5. Financial expenses

CHF million	2023	2022
Impairment losses on loans	– 19.2	– 5.9
Others	– 0.9	– 0.1
Total Financial expenses	**– 20.1**	**– 6.0**

6. Interest expenses

CHF million	2023	2022
Interest on bonds	– 18.4	– 12.5
Other interest expenses	– 7.7	– 7.3
Total interest expenses	**– 26.1**	**– 19.8**

Notes to the balance sheet

7. Receivables from group companies

CHF million	31.12.2023	31.12.2022
Dividends	366.4	368.0
Other receivables	10.7	10.2
Total receivables from group companies	**377.1**	**378.2**

The annual general meeting of the following AGMs voted to recognise the dividends receivable for the 2023 financial year as accrued income:

- 28 February 2024: Baloise Bank AG, Solothurn
- 15 March 2024: Baloise Asset Management AG, Basel and Baloise Asset Management International AG, Basel
- 22 March 2024: Baloise Versicherung AG, Basel and Baloise Leben AG, Basel
- 11 April 2024: Baloise Delta Holding S.à.r.l., Leudelange (Luxembourg)

8. Other short-term receivables

CHF million	31.12.2023	31.12.2022
Short-term promissory note loans	–	84.0
Total other short-term receivables	**–**	**84.0**

9. Loans to group companies

CHF million	31.12.2023	31.12.2022
Subordinated loans to Baloise Bank AG	90.0	90.0
Subordinated loans to Baloise (Luxembourg) Holding S.A.	284.6	284.6
Subordinated loans to Baloise Belgium NV	352.8	375.3
Subordinated loans to Baloise Vie Luxembourg S.A.	65.0	69.1
Loans to Baloise (Luxembourg) Holding S.A.	327.4	318.6
Loans to Baloise Beteiligungen B.V. & Co. KG	36.3	38.6
Loans to Baloise Sach Holding AG	43.0	43.0
Total loans to group companies	**1,199.1**	**1,219.1**

10. Long-term equity investments

Company	Total shareholding as at 31.12.2023 (with voting rights) (per cent)[1]	Total shareholding as at 31.12.2022 (with voting rights) (per cent)[1]	Currency	Share capital as at 31.12.2023 (million)	Capital share (million)
Baloise Versicherung AG, Basel	100.00	100.00	CHF	75.0	75.0
Baloise Leben AG, Basel	100.00	100.00	CHF	50.0	50.0
Baloise Bank AG, Solothurn	100.00	100.00	CHF	50.0	50.0
Baloise Asset Management AG, Basel	100.00	100.00	CHF	1.0	1.0
Baloise Asset Management International AG, Basel	100.00	100.00	CHF	1.5	1.5
Haakon AG, Basel[2]	–	74.75	CHF	–	–
Baloise Life (Liechtenstein) AG, Balzers (Liechtenstein)	100.00	100.00	CHF	7.5	7.5
Basler Saturn Management B.V., Hamburg (Deutschland)	100.00	100.00	EUR	<0.1	<0.1
Baloise (Luxembourg) Holding S.A., Leudelange (Luxembourg)	100.00	100.00	CHF	250.0	250.0
Baloise Delta Holding S.à.r.l., Leudelange (Luxembourg)	100.00	100.00	EUR	224.3	224.3
Baloise Fund Invest Advico, Leudelange (Luxembourg)	100.00	100.00	EUR	0.1	0.1
Baloise Alternative Investments Partner S.à r.l., Leudelange (Luxembourg)	100.00	100.00	EUR	<0.1	<0.1
Baloise Private Equity Partner S.à r.l., Leudelange (Luxembourg)	100.00	100.00	EUR	<0.1	<0.1
Baloise Participation Holding AG, Basel	100.00	100.00	CHF	0.1	0.1

1 Investments stated as a percentage are rounded down.

2 On 4 December 2023, the stake in Haakon AG was sold.

11. Current interest-bearing liabilities to third parties

31.12.2023	Interest rate	Issued	Maturity date	Amount CHF million
Securities with security number				
Bond 26 139 906	1.125 %	19.12.2014	19.12.2024	150.0
Total current interest-bearing liabilities				**150.0**

31.12.2022	Interest rate	Issued	Maturity date	Amount CHF million
Securities with security number				
Bond 20 004 482	1.750 %	26.04.2013	26.04.2023	225.0
Total current interest-bearing liabilities				**225.0**

12. Long-term interest-bearing liabilities to third parties

31.12.2023	Interest rate	Issued	Maturity date	Amount CHF million
Securities with security number				
Bond 45 809 797	0.500%	28.01.2019	28.11.2025	200.0
Bond 49 669 297	0.000%	25.09.2019	25.09.2026	100.0
Bond 49 669 298	0.000%	25.09.2019	25.09.2029	125.0
Bond 55 333 181	0.250%	16.07.2020	16.12.2026	175.0
Bond 55 333 182	0.500%	16.07.2020	16.12.2030	125.0
Bond 59 364 106	0.150 %	15.02.2021	17.02.2031	250.0
Bond 113 081 883	0.125 %	27.09.2021	27.06.2030	200.0
Bond 114 872 821	0.300%	16.02.2022	16.02.2027	200.0
Bond 119 932 235	1.900 %	19.07.2022	19.07.2028	110.0
Bond 120 636 766	2.200%	30.11.2022	30.05.2029	225.0
Bond 123 210 718	2.200%	30.01.2023	30.01.2032	175.0
Bond 125 636 719	2.350 %	02.05.2023	02.05.2033	100.0
Total long-term interest-bearing liabilities				**1,985.0**

31.12.2022	Interest rate	Issued	Maturity date	Amount CHF million
Securities with security number				
Bond 26 139 906	1.125 %	19.12.2014	19.12.2024	150.0
Bond 45 809 797	0.500%	28.01.2019	28.11.2025	200.0
Bond 49 669 297	0.000%	25.09.2019	25.09.2026	100.0
Bond 49 669 298	0.000%	25.09.2019	25.09.2029	125.0
Bond 55 333 181	0.250%	16.07.2020	16.12.2026	175.0
Bond 55 333 182	0.500%	16.07.2020	16.12.2030	125.0
Bond 59 364 106	0.150 %	15.02.2021	17.02.2031	250.0
Bond 113 081 883	0.125 %	27.09.2021	27.06.2030	200.0
Bond 114 872 821	0.300%	16.02.2022	16.02.2027	200.0
Bond 119 932 235	1.900 %	19.07.2022	19.07.2028	110.0
Bond 120 636 766	2.200%	30.11.2022	30.05.2029	225.0
Total long-term interest-bearing liabilities				**1,860.0**

13. Treasury shares

2023	Low in CHF	High in CHF	Average share price in CHF	Number of registered shares
Balance as at 1 January				**68,991**
Purchases	130.50	135.20	133.64	7,000
Disposals in connection with share participation programmes				– 21,164
Balance as at 31 December				**54,827**

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

14. Changes in equity

	Share capital	Statutory retained earnings		Voluntary retained earnings		Treasury shares	Total equity
2023		General reserve	Reserve for treasury shares	Free reserves	Distributable profit		
CHF million							
Balance as at 1 January	**4.6**	**11.7**	**7.8**	**573.6**	**407.4**	**– 8.1**	**997.0**
Allocation 2023	–	–	–	68.4	– 68.4	–	–
Dividend	–	–	–	–	– 338.8	–	– 338.8
Additions	–	–	–	–	–	–	–
Reduction of share capital	–	–	–	–	–	–	–
Change in treasury shares	–	–	–	–	–	2.1	2.1
Recognition / reversal	–	–	– 2.4	2.4	–	–	–
Profit for the period	–	–	–	–	443.9	–	443.9
Balance as at 31 December	**4.6**	**11.7**	**5.4**	**644.4**	**444.0**	**– 6.0**	**1,104.1**

2022	Share capital	Statutory retained earnings: General reserve	Statutory retained earnings: Reserve for treasury shares	Voluntary retained earnings: Free reserves	Voluntary retained earnings: Distributable profit	Treasury shares	Total equity
CHF million							
Balance as at 1 January	**4.6**	**11.7**	**7.6**	**502.8**	**391.6**	**-9.3**	**909.1**
Allocation 2022	–	–	–	71.0	-71.0	–	–
Dividend	–	–	–	–	-320.6	–	-320.6
Additions	–	–	–	–	–	–	–
Reduction of share capital	–	–	–	–	–	–	–
Change in treasury shares	–	–	–	–	–	1.2	1.2
Recognition / reversal	–	–	0.2	-0.2	–	–	–
Profit for the period	–	–	–	–	407.3	–	407.3
Balance as at 31 December	**4.6**	**11.7**	**7.8**	**573.6**	**407.4**	**-8.1**	**997.0**

15. Significant shareholders

The information available to the Company from disclosures pursuant to Art. 120 of the Swiss Financial Market Infrastructure Act (FinMIA) (see the SIX website) and from the Company's share register reveals that the following significant shareholders and shareholder groups linked by voting rights held long-term equity investments in the Company as at 31 December 2023:

	Last disclosure date [1]	Quota according to last disclosure [1] (per cent)	Shareholding according to share register as at 31.12.2023 (per cent)	Shareholding according to share register as at 31.12.2022 (per cent)	Share of voting rights as at 31.12.2023 (per cent)	Share of voting rights as at 31.12.2022 (per cent)
Shareholders						
Black Rock Inc.	05.09.2017	7.17	<1.0	<1.0	<1.0	<1.0
Chase Nominees Ltd. [2]	n/a	n/a	0.0	4.3	0.0	2.0
Credit Suisse Funds AG	25.04.2020	3.00	>3.0	>3.0	2.0	2.0
LSV Asset Management	06.07.2013	3.73	0.0	0.0	0.0	0.0
Norges Bank	16.03.2023	3.07	0.0	0.0	0.0	0.0
Nortrust Nominees Ltd. [2]	n/a	n/a	2.9	3.4	0.0	0.0
The Bank of New York Mellon [2]	n/a	n/a	2.1	2.3	0.0	0.0
UBS Fund Management (Switzerland) AG	14.12.2023	4.99	>3.0	>3.0	2.0	2.0

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

16. Contingent liabilities

CHF million	31.12.2023	31.12.2022
Collateral, guarantee commitments	200.0	500.0

Baloise Holding Ltd has issued the following letter of comfort:

As the owner of Baloise Life (Liechtenstein) AG, Baloise 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.

Baloise Holding Ltd has declared to France Assureurs that it will back the financial obligations of the French subsidiary of FRIDAY Insurance S.A. that result from exposures that arise for the subsidiary due to its participation in claim settlement agreements; Baloise Holding Ltd will continue to back these obligations for as long as it has control over the subsidiary.

Baloise Holding Ltd is making cash and cash equivalents of EUR 58.0 million (CHF 53.9 million)[previous year: EUR 58.0 million or CHF 57.3 million] available to Baloise Sachversicherungs-Aktiengesellschaft until at least 23 March 2031. Baloise Insurance Ltd can obtain this money in the form of a loan.

Baloise 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 200 million as at the balance sheet date.

Baloise 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 is contained in the Remuneration Report, which can be found on pages 51 to 74 in the part of corporate governance. The key information disclosed here includes

- remuneration paid to the members of the Board of Directors,
- remuneration paid to the members of the Corporate Executive Committee,
- loans and credit facilities granted to members of the Board of Directors and the Corporate Executive Committee,
- shares and options held by members of the Board of Directors and the Corporate Executive Committee.

18. Net reversal of hidden reserves

In 2023 hidden reserves of CHF 6.1 million were reversed. In 2022 hidden reserves of CHF 0.7 million were reversed.

19. Events after the balance sheet date

On 29 June 2023, Baloise Holding Ltd signed sale and purchase agreements for the purchase of all the shares in Baloise Belgium N.V.. Regulatory approval for the share purchase was granted on 13 March 2024. Once the imminent purchase of the shares has been completed, Baloise Holding Ltd will directly own 100 per cent of the shares in Baloise Belgium N.V. The funding of the purchase price of EUR 1,202 million will be secured by offsetting receivables and loans and by establishing a financing arrangement between Baloise Holding Ltd and Baloise (Luxemburg) Holding S.A.

By the time that these annual financial statements had been completed on 22 March 2024, 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 443,886,565.47.

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.

	2023	2022
CHF		
Profit for the period	443,886,565.47	407,337,110.04
Profit carried forward from the previous year	63,564.76	46,454.72
Distributable profit	**443,950,130.23**	**407,383,564.76**
Proposals by the Board of Directors:		
Dividend	–352,660,000.00	–338,920,000.00
Allocated to free reserves	–91,200,000.00	–68,400,000.00
Withdrawn from free reserves	–	–
Profit to be carried forward	**90,130.23**	**63,564.76**

Die Gewinnverteilung entspricht den Bestimmungen von § 36 der Statuten. Auf die einzelne Aktie entfällt eine Ausschüttung von 7.70 CHF brutto beziehungsweise 5.00 CHF nach Abzug der Verrechnungssteuer.

Report of the statutory auditor to the Annual General Meeting of Baloise Holding Ltd, Basel

Please refer to the German version of the Baloise Annual Report 2023, page 270, for the report of the statutory auditor, Report on the audit of the financial statements of Baloise Holding Ltd (the "Company"). The auditor's opinion dated 22 March 2024 confirms compliance with Swiss law and the Company's articles of incorporation. EY recommends that the financial statements submitted to the Annual General Meeting of Baloise Holding Ltd, Basel, be approved.

Please also refer to the disclosure on page 357 "Information on the Baloise Group" referencing the fact that only the German text of the annual report is legally binding.

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Report on non-financial matters
(Art. 964a et seq. of the Swiss Code of Obligations (OR))

About this chapter

This chapter was written in accordance with section six ‘Transparency on non-financial matters’ of the Swiss Code of Obligations.

The chapter is divided into four sections and contains voluntary and compulsory disclosures for 2023. The section ‘General information’ contains a summary of the course of business and our operating performance, a description of the business model (see page 284) and other information that is useful for understanding our activities. This includes an overview of topics that are material for Baloise’s operating activities (see page 292) and information on our targets and commitments under our value creation model (see page 290). Information is also provided on responsible underwriting and responsible investment, which address environmental, social and corporate governance (ESG) matters.

In the sections ‘Information on environmental matters’ (see page 309), ‘Information on social matters’ (see page 319) and ‘Information on corporate governance’ (see page 337), we outline our approach in these areas, including measures to implement them, the risks involved and key performance indicators.

In addition, Baloise publishes an Annual Review, which is aligned with the European Corporate Sustainability Reporting Directive (CSRD) and contains information that goes beyond what is required under the Swiss Code of Obligations in respect of setting out Baloise’s responsibility for sustainable corporate governance.

Foreword

Dear shareholder,
dear reader,

The business model of insurance companies means that they shoulder responsibility for current and future generations. Our services help to make society more resilient and offer private individuals and businesses safety and security. For the past 160 years, we at Baloise have felt a great sense of responsibility for our customers, our employees and our investors. The long-term focus of our business model also reflects the enduring effect of our services and the value that we create for our stakeholders.

Through our services, we make an important contribution to social stability while facilitating growth and innovation. Companies, and small and medium-sized enterprises in particular, can plan their business better and take risks because we assume risks for them that they would not be able to manage themselves, at least not without great financial expense. With an extensive range of solutions for personal and occupational pensions, our business model also contributes to strengthening social stability and preventing social inequality.

Insurance companies are also part of the solution when it comes to tackling the challenges ahead – together with other groups in our society – and putting protection in place against the biggest known risks. Earthquakes and a novel pandemic are examples of known risks for which it is not possible to obtain comprehensive private insurance cover. Cyber risk is a risk that can cause major financial damage and poses a threat to us all. At Baloise, we are ready to play our part in tackling these challenges and share in the responsibility. But the resolve and support of other stakeholders are also needed to better protect against these new risks.

In this report, we show how we assume responsibility in various areas, including ESG matters and human rights. Next year, the report will be supplemented by reporting on climate-related risk. Baloise is also working towards preparing a Group report based on the European Corporate Sustainability Reporting Directive (CSRD) from the 2025 financial year onward. Our Annual Review is already aligned with the CSRD.

Basel, March 2024

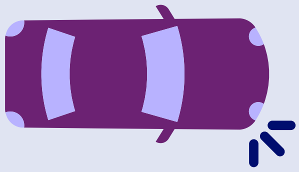
Dr Thomas von Planta
Chairman of the
Board of Directors

Michael Müller
Group CEO

General information

At a glance

CHF 3,259.3 million equity



92.0% combined ratio

6.5% new business margin in the life business

CHF 239.6 million profit attributable to shareholders

81% of employees responded positively to Baloise's employee satisfaction survey

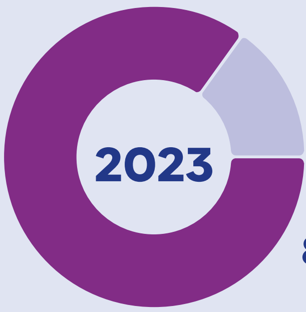
+54,000 additional customers

Asset Management

Total assets under management	CHF 57.9 billion
Third-party assets under management	CHF 15.0 billion
Net new third-party assets	CHF 1.2 billion
Cost/income ratio	70.7 %
Employees	238

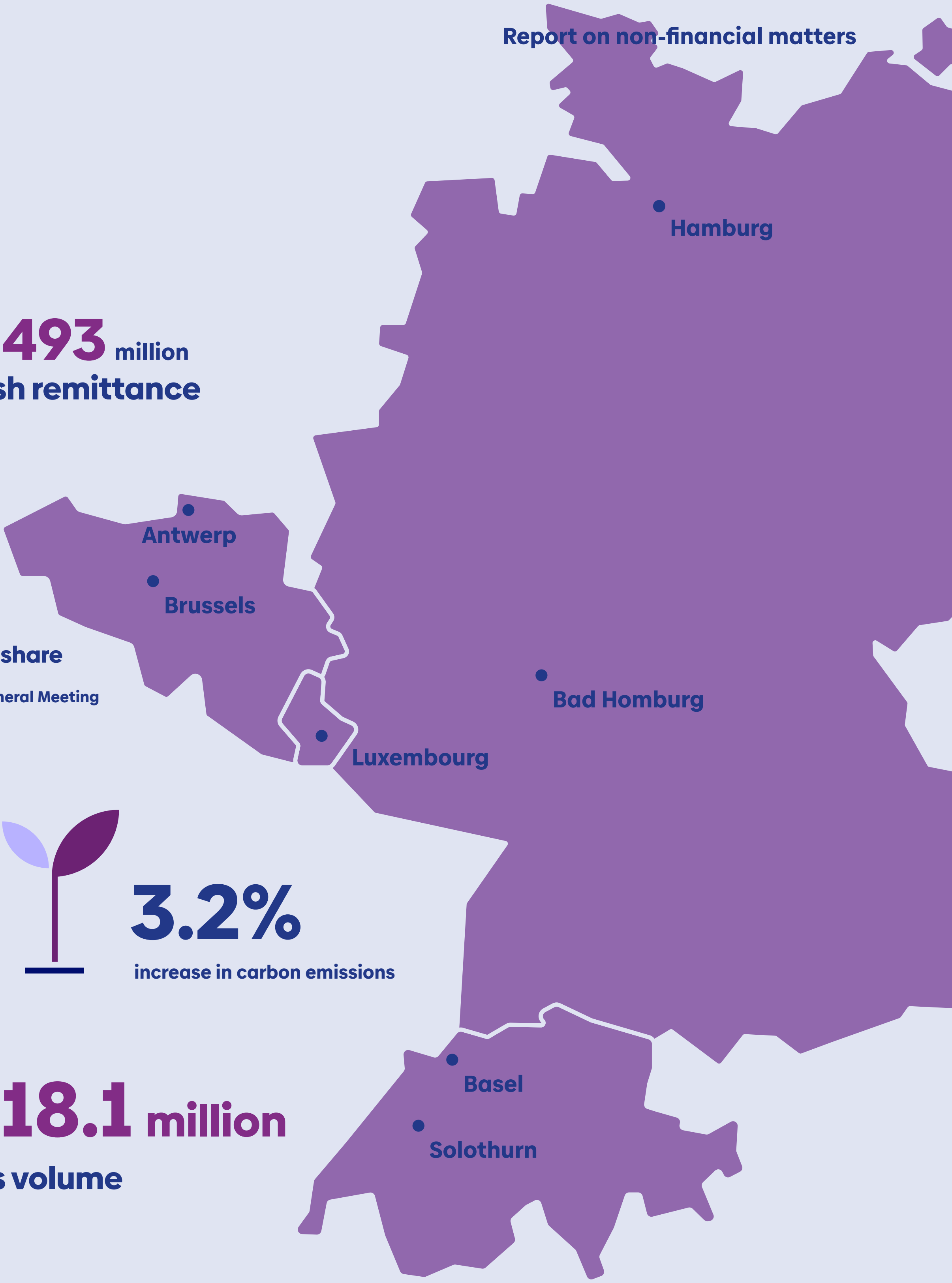
Bank

Net new money custody account volume (market-adjusted)	CHF 281.0 million
Total assets	CHF 8,731.7 million
Wealth & pension advisory mandates	5,267
Return on equity	13.2 %
Employees	402



85%

A-AAA MSCI ESG rating for rated insurance investments



CHF 493 million
cash remittance

Dividend of
CHF 7.70 per share
(proposal to the Annual General Meeting on 26 April 2024)

3.2%
increase in carbon emissions

CHF 8,618.1 million
total business volume

	Switzerland	Germany	Belgium	Luxembourg
Business volume				
Life (CHFmillion)	2,513.4	499.8	482.0	152.8
Non-life (CHF million	1,468.7	816.5	1,589.7	154.6
Investment-type premiums (CHF million)	43.6	0.0	14.1	830.8
Employees	4,031 [1]	1,532	1,775	682 [2]
Combined ratio	98.4%	88.7%	85.8%	89.0%

1 including Asset Management and Bank.
2 including Liechtenstein [18] and FRIDAY [202].

Further information on business development can be found from page 10 of this report.

A look back at the year
Baloise's highlights in 2023

January
2023

January

Michael Müller nominated as Group CEO
Baloise CEO Gert De Winter decided to step down as Group CEO at the end of June. The Board of Directors appointed Michael Müller (52) to replace him with effect from 1 July 2023.

Baloise successfully places its third green bond
We successfully place a nine-year senior green bond with a volume of CHF 175 million and a coupon of 2.20 per cent. The first green bond was issued in 2021, and this is now the third.

Baloise implements expanded RI policy
Our expanded responsible investment (RI) strategy has been in place since January 2023 for liquid investments, for some of the fund's private assets and for the majority of our funds, including fund selection. The updating of the RI strategy took account of the SFDR, the FINMA Guidance 05/2021 on preventing and combating greenwashing and the AMAS requirements for self-regulation of transparency and disclosure for sustainability-related collective assets.

February

TRONITY electric vehicle solution joins the Baloise Mobility ecosystem
We are investing in the company TRONITY, thereby gaining a new partner for our Mobility ecosystem. TRONITY is a data-driven solution that provides electric vehicle users with transparent, comprehensive information about the costs associated with their vehicles as well as related services.

March

Baloise publishes second non-financial report
We again publish our Annual Review, in addition to the Annual Report, to show how we uphold our responsibility as a corporate citizen. The report forms the basis for our non-financial reporting and anticipates the future direction of disclosure requirements in Switzerland and the EU.

Christine Theodorovics to become CEO of Baloise in Luxembourg
Romain Braas, CEO of Baloise in Luxembourg, decided to retire at the end of September 2023. His successor will be Christine Theodorovics (54), a dual Swiss and Austrian national, who will take up her role on 1 June 2023.

April

Clemens Markstein to become CEO of Baloise in Switzerland
The Board of Directors of Baloise Holding Ltd appointed Clemens Markstein (52) as the new CEO of Baloise in Switzerland and a member of the Corporate Executive Committee of the Baloise Group. He will assume his post on 1 July 2023. Clemens Markstein succeeds Michael Müller, who is taking over as CEO of the Baloise Group from Gert De Winter.

October

Baloise adopts climate roadmap
We are committed to the targets of the Paris climate agreement and we support the efforts of the Swiss government and the European Union (EU) to reach net zero by 2050. We are drawing up a climate roadmap to set out how we intend to get there. The plan includes a 25 per cent reduction in operating emissions by 2030.

Baloise extends its partnership with Baloise Session
We are extending our involvement as the presenting sponsor of the Baloise Session festival by another four years until 2029. This underscores the strategic focus of Baloise's sponsorship activities in the field of music. We promote music in Switzerland, both as a sponsor of Baloise Session and as the promoter of our own one-off concerts and a special Switzerland-wide series of concerts.

December 2023

June

Baloise awards the 24th Baloise Art Prize
The CHF 30,000 Baloise Art Prize has been part of Art Basel for more than 20 years. This year, the panel of judges comprising international experts awarded the prize to Sky Hopinka and Wai-Kin Sin. We will acquire works from both artists and donate them to two important European museums, MMK Frankfurt and MUDAM Luxembourg.

November

Baloise is recognised as one of the most innovative insurance companies in Switzerland
We win the people's choice award at the Swiss Insurance Innovation Awards for our 'Rapid Damage Cockpit (RDC)' project and secure second place with 'Parasurance'. Using our innovative RDC map, the Rapid Damage Cockpit project allows us to identify customers who may have been affected by a severe adverse weather event and automatically send them a form by email or text message in the immediate aftermath of the event. This form enables them to report any loss or damage they have suffered on the same day with just a few clicks.

Business model

How does an insurance company work?

Insurance is essentially a way of sharing risk among lots of people. Insurance companies need a sufficiently large pool of customers in order to be able to offer their products, which can be divided into three areas: risk, savings and service. We cover risk in both the non-life and life insurance business. Non-life business essentially comprises property and liability insurance, while life insurance protects against the financial consequences of accident or death.

Where required, we supplement the element of risk protection in the life insurance business with services such as saving and pensions. An insurance company's balance sheet is a good way to obtain a better understanding of its business and how it adds value. The four key value drivers of insurance work hand in hand:

- Assets
- Technical non-life reserves
- Technical life reserves
- Equity.

We use the premiums paid by our customers to buy assets (investments) such as fixed-income securities, real estate and equities. We use the regular income from these investments to provide our customers with the safety and security that we have promised them. We offset the value of these promises on the equity and liabilities side of the balance sheet by setting aside technical reserves for our life and non-life business. We always have to keep sufficient equity available to ensure that we can honour the promises made to our customers at any time. The minimum amount of equity that we need is determined partly by our own calculations and partly by the requirements set by the regulatory authorities. This equity is provided to us by investors (shareholders). Because this equity is risk capital which – in the worst-case scenario – could be lost, our investors demand in return a level of compensation commensurate with the risk involved. This compensation is provided in the form of profits that are returned to investors via dividends, share buyback programmes or a rising share price. Consequently, this circular flow of funds between risk sellers (customers) and risk buyers (shareholders) only works if an insurance company can earn profits. It does so if it invests its assets as profitably as possible and if the insurance claims that occur do not exceed the amounts set aside by the insurer in its technical reserves. Shareholders will continue to provide the insurance company with equity if the ratio between the profit that it generates and the capital that it employs (return on equity) is adequate, compared with the market as a whole. These four drivers of value within the insurance business are explained in more detail in the sections that follow.

Non-life business

Non-life business essentially comprises property and liability insurance, such as motor vehicle and personal liability insurance. The profitability of this business consists of two components: the technical result and the Company's gains or losses on its investments. Based on the premium payments received from customers, it is calculated as follows:

Customers pay an annual premium. If a claim occurs, the insurance company uses part of the premium earned to cover costs that have already been incurred. Because the claim has still generally not been finally settled, however, a further portion of the premiums earned is used to set aside claims reserves for future insurance benefits and is channelled into investments that will yield a return. Then there are also insurance business operating expenses such as claims handling costs and staff expenses. If the claims paid, the expenses for insurance benefit payments and the insurance business operating expenses are lower than the premiums collected, the technical result is positive and the insurance company earns a gross profit. The better the insurance company's cost containment and the lower the risks or claims in its customer portfolio, the higher the gross profit will be. Technical profitability is measured in terms of the so-called combined ratio, which is one of the key performance indicators used in insurance. It is a relative figure that denotes the ratio between an insurer's costs plus the claims incurred, and its premium income. If its combined ratio is less than 100 per cent, an insurance company has generated a technical profit. In years when high levels of claims occur, an insurer's claims ratio may be above 100 per cent. In order to ensure that enough capital is still available to pay insurance benefits in such years, equity is required. The amount of capital needed here depends on risk-related and business-specific factors and on regulatory requirements. Gains or losses on investments are calculated as the investment yield on the equity provided by shareholders and on the technical reserves. The gains on investments and the technical result must be used to cover all taxes, borrowing costs and the minimum rate of return required by shareholders.

Life business

Life insurance enables policyholders to build wealth, make provision for their old age and protect themselves against risk (e.g. in the event of accident or death). These benefits are usually offered in combination, but pure risk life insurance and pure endowment insurance are also available. Risk insurance benefits are paid out if an unforeseen event – such as the policyholder's occupational disablement – occurs. In the case of endowment insurance, on the other hand, the event that triggers the payment of benefits is the endowment date following a contractually agreed period. Endowment insurance policies are therefore used as savings vehicles – mostly as a form of retirement pension – which is why they are sometimes paid out as monthly annuities.

A distinction can be made between traditional life insurance and investment-type insurance policies. In traditional life insurance business , the premium can be broken down into the following three components that provide benefits for the customer:

- Risk component – benefits payable on death or disability
- Savings component – capital protection and guaranteed interest income
- Cost component – for various services such as processing annuities.

The premiums paid by customers for their life insurance policies are divided in the same way. The **savings component** protects and builds the customer's capital. It is invested in portfolios of different assets in order to ensure that the promise of a guaranteed return is kept and to achieve surpluses over and above the guaranteed returns. The **risk component** is used to create a technical reserve for claims – for example in the event of the policyholder's death. The cost component covers the costs incurred by the insurance company for administering the policy.

Depending on how successfully the insurance company invests the assets, how cost-efficient its operations are and the level of risk in the customer portfolio, the insurance company is left with a return after providing the services. This amount then goes into gross profit. The majority of the gross profit, often over 90 per cent (e.g. for occupational pension insurance schemes in Switzerland or individual life insurance in Germany), is generally transferred back to customers in the form of surpluses. The amount that remains is the profit for the period. This profit must be sufficient to adequately compensate the shareholders.

There are various forms of **investment-type insurance policy**, such as investment-linked life insurance and variable annuities. In contrast to traditional life business, the insurance company is merely responsible for the administration of these policies. If the premiums are invested in funds, customers often make the necessary investment decisions themselves. The insurance company receives commission for its asset administration services but is not involved in investing the insurance assets in the way that it is in the case of traditional life insurance policies offering guaranteed returns. Although modern life insurance policyholders therefore bear the investment risk, they can earn a far higher profit than they could from traditional life insurance that offers guaranteed returns. This is because customers benefit fully from any return on investments. This line of business is profitable for insurers because it can generate fees but the insurer only has to provide a small amount of risk-bearing capital.

Banking and insurance model in Switzerland

In Switzerland, we have been operating our combined banking and insurance model with Baloise Bank for more than 20 years. The model brings banking and insurance services together under one roof and, as a financial partner with a presence throughout Switzerland, enables us to offer our comprehensive advisory expertise. At every general agency in Switzerland, customers can meet with specialist financial advisors and receive comprehensive advice and solutions that cut across the boundaries of pensions, asset management and financing. We also benefit from this as a company, for example because our customers can reinvest capital sums paid out by life insurance or company pensions into our Baloise banking solutions. These banking solutions also include services such as asset management. The integration of banking and insurance has enabled us to greatly expand the asset management business in recent years.

Asset management & banking

The prudent management of investments is one of the most important capabilities that an insurer must possess. By successfully investing the premiums it receives, the insurance company ensures that it can meet its financial obligations towards its customers while making a contribution to its overall profitability. We ensure that our investments are widely diversified across several asset classes such as fixed-income securities, real estate and equities. Within each asset class, the focus is on high-quality investments that yield consistent returns. The Company's investments must be carefully matched with its obligations. So-called asset/liability management (ALM) is used for this purpose. This involves matching the cash flows from the Company's investments with those from its liabilities. We are increasingly offering our asset management services to third parties as a means of expanding this area of our business. We offer investment solutions in the areas of equities, bonds, alternative investments, real estate and multi assets. Customers benefit from the specific expertise and experience of Baloise Asset Management.

Strategy

Simply Safe: Season 2 – second year of the strategic phase

During the Simply Safe: Season 2 strategic phase, which runs from 2022 to 2025, we are building on the goals and successes of the last strategic phase while continuing to focus on our core stakeholders (customers, employees and shareholders). At the same time, we are prioritising the value creation model that underpins the sustainability strategy, which is an integral part of the corporate strategy and also includes our wider obligations to partners, society and the environment (see chapter 'The Baloise value creation model', page 290 onwards).

Simply Safe: Season 2 targets

With our 'Simply Safe' strategy we are pursuing the goal of further strengthening our core business and at the same time expanding our business model in order to meet changing customer needs for security and services in the digital age. This goes hand in hand with the strong conviction that only satisfied employees can inspire customers, who in turn form the basis for an attractive investment from an investor's perspective. Baloise has set itself the following goals for the second season of Simply Safe, which started in 2022, and will run until 2025:

- **Employees**: to be **one of the leading employers** in Europe
- **Customers**: to acquire **1.5 million new customers**
- **Shareholders**: to generate **CHF 2 billion in cash**.

In order to achieve the ambitious goals of Simply Safe: Season 2, four strategic directions were defined based on the findings from Season 1:

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

With our strategy, we want to be more than just an insurance company. We want to play a significant role in people's lives.

Impact of our value creation

In the second year of the current strategic phase, we made the following contributions to our strategic targets:

- We are currently among the top 29 per cent of all employers in Europe (2022: top 36 per cent).
- We gained 54,000 new customers (2022: 173,000).
- We remitted cash of CHF 493 million (2022: CHF 471 million).

We made further progress towards our strategic targets. In terms of our employee target, we improved from being among the top 36 per cent of the best companies to work for in Europe to ranking among the top 29 per cent. We acquired 54,000 new customers in 2023. We are on track to meet our target of cash remittance of CHF 2 billion for the holding company; we remitted CHF 493 million in 2023, which was around 5 per cent more than in the prior year.

We regularly review our strategy and adjust it in line with changed conditions where necessary. In 2017, we began to establish the Home and Mobility ecosystems as part of our innovation strategy. Those innovation initiatives generated CHF 116 million in revenue in 2023. Last year, we announced that we were reviewing our entire portfolio. Following this review, and in light of the evolving macroeconomic environment, we have now decided to no longer focus on the ecosystem approach and to not carry out any further new investment in these business areas. By training our focus on integrated insurance and financial services and achieving operational excellence, we are ensuring that Baloise remains relevant for our customers, partners, investors and employees in the long term.

Attractive dividend policy continued

Thanks once again to the strong level of cash remittance, we were able to continue our attractive dividend policy in 2023. We have not reduced the dividend since 2003 and have in fact increased it 13 times during that period. For the 2023 financial year, we plan to raise the dividend again, enabling shareholders to participate directly in Baloise's success. A dividend increase of CHF 0.30 will be proposed at the Annual General Meeting on 28 April 2024, bringing the dividend to CHF 7.70.

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Brand

The first year after the rebranding

Our single brand will lead to a stronger identity.

The process of consolidating all the existing brands into a single Baloise brand that began in autumn 2022is complete. The streamlining of the brand portfolio was a particular challenge in the Swiss market, where five brands (Basler Versicherungen, Bâloise Assurances, Basilese Assicurazione, Baloise Bank SoBa and Baloise Asset Management) had to be united under a single brand umbrella and communicated in a cohesive way. In Germany, the change from 'Basler' to 'Baloise' introduced a brand name that had not been used in this market before. Internally, the single brand identity has led to greater collaboration and synergies across national borders as the marketing and marketing communications teams have worked on marketing activities together. It has also strengthened the feeling of a shared identity between all employees. Building a brand and establishing its permanent position in the market is not something that happens overnight – it takes time. The new brand was introduced in all countries with the launch campaign 'Sometimes it works. Sometimes you learn'. The campaign slogan is the core message of a number of short scenarios that Baloise links to its (potential) customers' lives in an entertaining way. An action that doesn't initially appear to have had the desired outcome is turned into a positive. The focus is not on failure, but on having successfully learned something.

Our new identity connects the brand to the strategy and unlocks the full potential of a single brand as a driver of growth. The brand is the link between the customers and Baloise and its services. It communicates the brand promise and strengthens trust in the Company's services. This is where the brand purpose comes into play:

Strategic ambition

By 2025, we are a state-of-the-art, unified and sharpened brand which best supports the unique Baloise customer experience and leverages growth.

By 2025, Baloise is the love brand for customers, partners and employees who want to engage with a human insurance and finance brand.

By 2025, Baloise has a strong reputation as a responsible insurance and finance brand whose sustainable action supports customers and strengthens society, the economy and the environment.

Purpose and story

Values

Partnership
Proximity
Tomorrow

Experience

Human
Inspiring
Responsible

- At Baloise, we care. We develop insurance, financial and other intelligent service solutions with a human touch, because we want our employees, customers and partners to feel that they are in good hands.
- At Baloise, we inspire. We love what we do – and we love to go further. We explore new pathways, create new possibilities and seek out new solutions. As an inspiring partner, we encourage our employees, customers and partners to remove worry from their lives.
- At Baloise, we keep our promises. We listen to our customers and partners so that we can meet their needs. We act responsibly and take responsibility for our future, contribute to the society we live and work in.

‘We are Baloise.
We are the inspiring
partner for your tomorrow’.

Brand values and brand experience

Our brand values are partnership, proximity and tomorrow. That’s what we stand for and what we believe in.

We believe in partnership
That is why we treat our colleagues, customers and partners as equals. That is why we build our relationships on mutual trust. Because for us, business success begins with a strong partnership.

We believe in proximity
That is why we take care of our employees, customers and partners. That is why we behave like a reliable friend. Because for us, solutions by people for people start with proximity.

We believe in the future
That is why we act responsibly for the benefit of people today and with consideration for future generations. That is why we want to make a difference in the society we live and work in. Because for us, being an inspiring partner begins with optimism and confidence about the future.

The brand experience is extremely important in external communications, particularly in the campaign to launch the rebranding. It encapsulates the way we want to be perceived by our customers and partners: as human, responsible and inspiring.

Brand campaign with a focus on awareness

The brand management activities vary from country to country depending on the level of brand recognition in each market. In Luxembourg and Belgium, the Baloise brand is already relatively well established. The rebranding had little impact because the Baloise name was already known in these markets. Here, the challenge is to position the brand values more strongly to make Baloise the preferred choice for customers. In markets such as Germany and Switzerland, where the Baloise name was not used at all, or was used only in individual regions, the focus was firmly on name recognition. The Baloise brand has to be firmly established in the minds of customers before we can switch the emphasis to the brand values.

A strong brand underpins the strategy

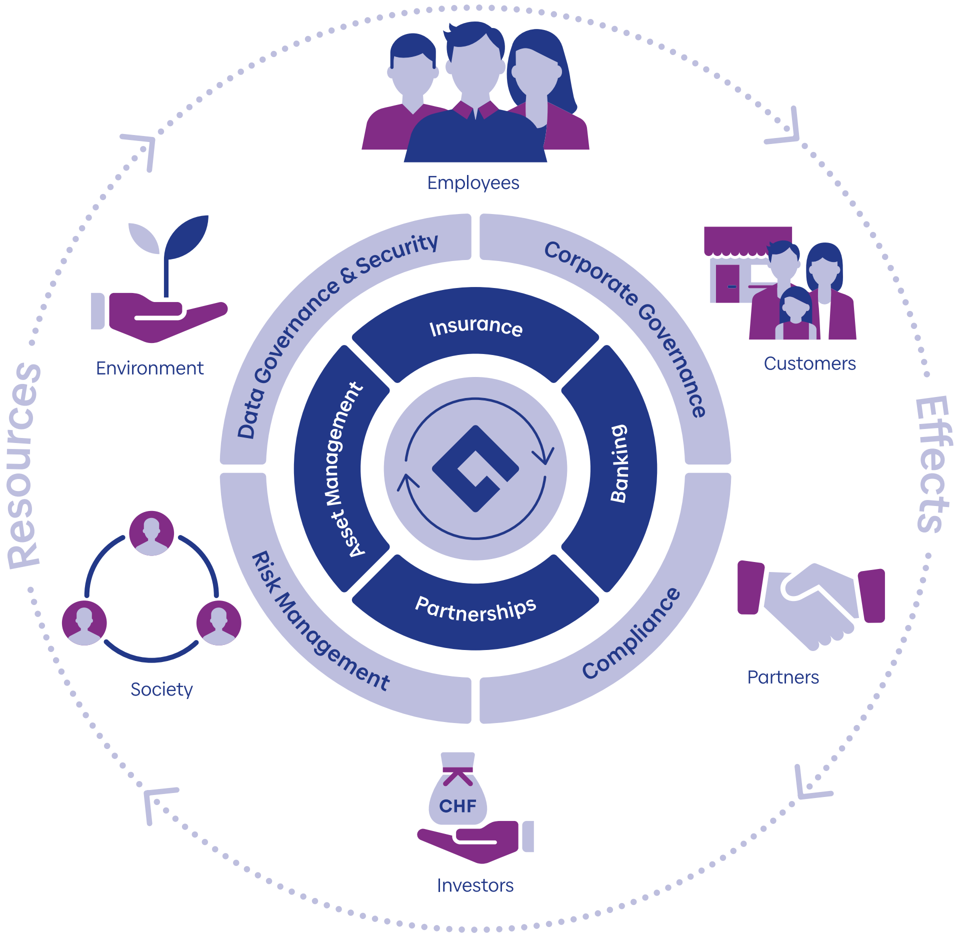
The new brand identity has four goals that will help us to successfully implement the strategy, and in particular Simply Safe: Season 2.

1. By focusing on the single brand, Baloise, we are reducing the complexity of the previous identity and its various brands. Processes will be simplified and visibility strengthened.
2. We are sending a clear signal concerning the transformation of Baloise. We are the inspiring partner for a shared tomorrow. The new positioning provides a clear direction for the future.
3. A strong brand will help us to stand out in the insurance and financial services market. And, last but not least, we will be able to attract new customers who will get to know us for the first time.

The single Baloise brand is a milestone and a clear signal both internally and externally. The new branding will help to bring the strategy to life and to communicate the values of Baloise and the people behind the brand more clearly to our customers.
www.baloise.ch/de/ueber-uns/wir-sind-baloise (only in German)

Baloise value creation model

Creating value – achieving sustainability



Definitions

Employees
Baloise employees at all Baloise sites

Customers
Private and business customers

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

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

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

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

Commitments

Employees
Greater wellbeing

Customers
Increased customer satisfaction

Investors
Attractive, reliable and responsible investment

Society
Valued member of society

Environment
Climate protection

Partners
Responsible and successful collaboration

The Baloise value creation model

Our commitment to corporate responsibility affects everything we do. We practise sustainable business management in accordance with the Baloise value creation model (see illustration on the left). This, in turn, is based on the integrated reporting framework of the International Integrated Reporting Council (IIRC), but is specifically aligned with our business model, the aspects that are important to us, and our corporate values.

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 we have seen our role ever since Baloise was founded in 1863: in ensuring the sustainable functioning of this community. Responsible and socially engaged behaviour is also an integral element of our Simply Safe strategy, alongside sustainable business management that takes account of our stakeholders.

At the core of the Baloise value creation model is our strategic direction. Our strategy is influenced by external factors such as climate change and changes in the geopolitical landscape. At the same time, our business activities and the actions we take have implications for our environment. Our value creation approach aims to respond to this double materiality. In our role as an insurance and pension provider with products and services across insurance, banking and asset management, we not only look after individuals but also protect companies, economies and communities and help them to function properly – every day of the year. Thanks to us, individuals and companies can take risks that they would not be able to manage on their own. We enable individuals to live more carefree lives and give companies the opportunity to do business sustainably. In this way, we also help to ensure economic and social stability as well as social security in the countries where we operate. We have to be able to offer our customers long-term security, which is why our actions are guided by long-term thinking. Through the key parameters of corporate governance, compliance, data governance and security, and risk management, we can make a lasting positive impact and, in so doing, create value for employees, customers, society, the environment, partners and investors. In the value creation model, which is based on the integrated reporting framework of the International Integrated Reporting Council (IIRC), these stakeholder groups and the environment are described as resources. The newly created value benefits the aforementioned resources and Baloise itself. It becomes fresh input for the ongoing value creation process, driving forward sustainable development.
www.baloise.com/sustainability
www.baloise.com/strategy
www.ifrs.org/issued-standards/ir-framework

Strategic integration through commitments in the area of sustainability
At the heart of our belief is sustainable value creation, with a promise not to create value for certain individuals at the expense of others. We have therefore made six commitments in the area of sustainability that cover all the resources in our value creation model. During the Simply Safe: Season 2 strategic phase, which runs until 2025, these six commitments will add to the three strategic goals relating to employees, customers and investors.

In 2023, we adopted our climate roadmap which cements our commitment to climate protection. As well as our existing climate-related activities, it sets out future objectives and explains the measures we will take to achieve them. More information on the objectives is contained in the 'Environmental information' chapter.

Sustainable development goals (SDGs)
Our value creation approach is aligned with the United Nations' sustainable development goals (SDGs). The SDGs contribute to the economic, social and environmental dimension of sustainable development and should be achieved by all UN member states by 2030. As a non-state actor, we want to make our own active contribution to this sustainable development. The goals that are important to us are reflected in the resources set out in our value creation model and thus in our commitments.
www.baloise.com/sdg
www.baloise.com/sustainability
www.baloise.com/csr

Stakeholder dialogue
We regularly discuss issues relating to the environment, society and corporate governance (ESG) with our stakeholders. Dialogue takes place within various associations and organisations, for example, or in the form of direct talks with our investors:
www.baloise.com/sustainability-ratings

Materiality

Materiality assessment approach

A structured and focused approach to sustainability is important to us. That is why we carried out a detailed materiality assessment for the key aspects in the area of sustainability and published it in 2022. This assessment is guided by the requirements of the Integrated Reporting Framework, the sector-specific requirements of the Sustainability Accounting Standards Board (SASB) and a dialogue with stakeholders based on our value creation model. As sustainability is a rapidly evolving area, the results of our materiality assessment are reviewed internally every year. Depending on the outcome, the assessment is repeated on an ad hoc basis or at least every four years. In 2024, we plan to update the materiality assessment to take account of the formal requirements of the Corporate Sustainability Reporting Directive (CSRD).
www.ifrs.org/issued-standards/ir-framework
www.sasb.org

Identification of material issues

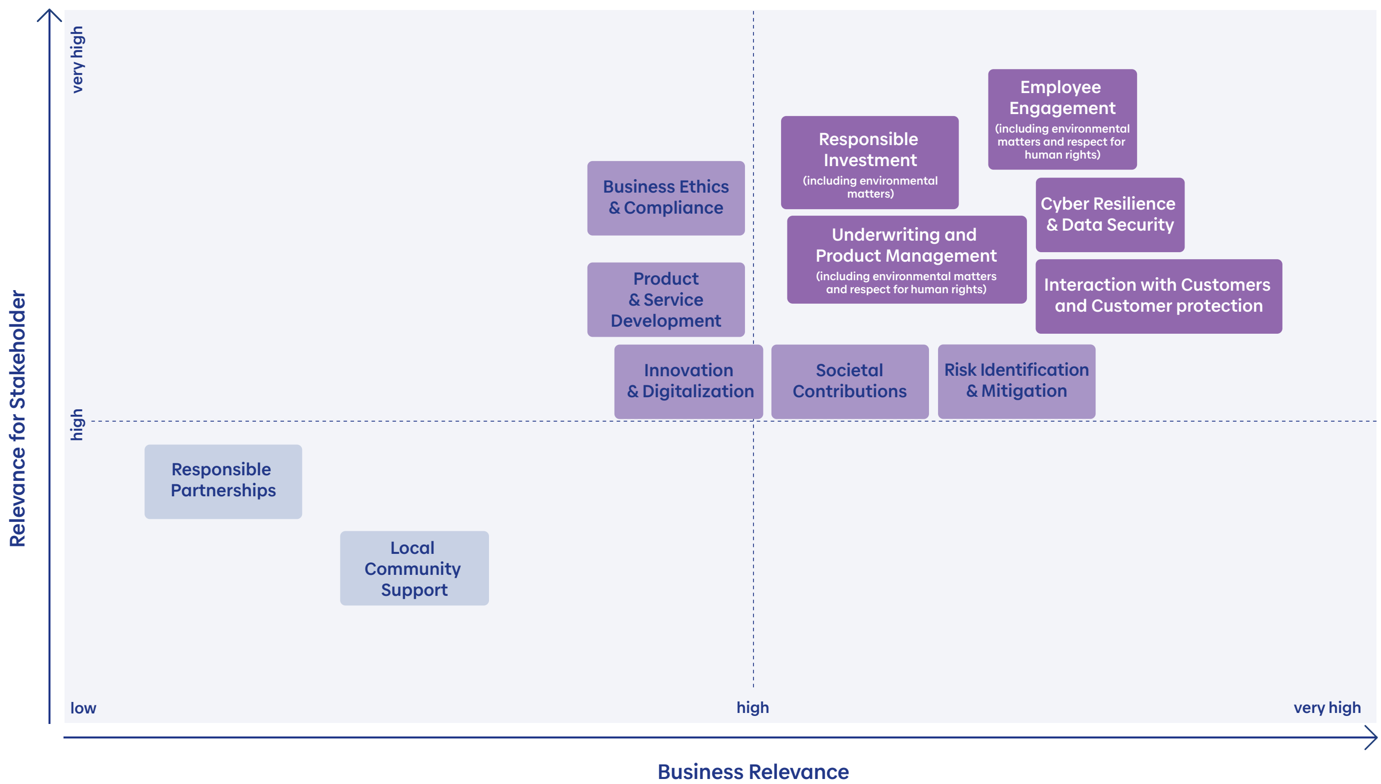
We combine external and internal sources to identify material topics. The first step is to collect the topics from sources such as sector analyses, requirements in the market, regulations, standards and ESG ratings. In a second step, the topics identified are consolidated by internal specialists.

Comprehensive assessment of the material topics

The topics identified are assessed from four perspectives:

1. Departmental relevance – qualitative and quantitative assessment by departments within the Baloise internal sustainability network

Materiality matrix



2. Business relevance – quantitative assessment by the Baloise management
3. Relevance for stakeholders – quantitative assessment by the internal and external stakeholders in accordance with the Baloise value creation model
4. Impact on sustainable development – qualitative assessment by external experts in accordance with the Baloise value creation model

Finally, the quantitative and qualitative assessments are analysed and conclusions are drawn from the results to produce a materiality matrix for the whole Baloise Group.

Results of the materiality assessment

The positions of the sustainability-related topics that are material for Baloise are determined by combining the mean values of the responses of our stakeholders to the quantitative survey with the qualitative assessment of the impact of these topics by experts from various departments. The materiality matrix produced by the analysis is used as a strategic guide for implementation of sustainability aspects in our business and determines which topics will be included in the reporting.
www.baloise.com/sustainability

Conclusions from the 2022 materiality assessment

The topics rated as being of high or very high relevance for Baloise and its stakeholders and assessed by the expert surveys as having a strong impact on sustainable development coincide with the three strategic targets for customers, employees and investors. The analysis thus validates our three strategic targets for the Simply Safe: Season 2 strategic phase and extends them to include social aspects in various areas, as well as cyber resilience, data security, responsible investment, underwriting, product management, interaction with and protection of customers, the identification and mitigation of risk, business ethics and compliance, the development of products and services, and innovation and digitalisation. This affirms our strategic expansion of the three targets to include commitments derived from our value creation model.

Climate change, environmental matters of relevance to Baloise and respect for human rights are not treated as individual topic areas but as an integral part of the areas of 'Responsible investment', 'Underwriting and product management' and 'Employee engagement'. This more accurate positioning comes from the annual review of the materiality assessment.

Reducing the carbon footprint of our own business activities is regarded as an obvious step with relatively little impact on sustainable development. Our activities in the area of investment – with regard to the continuous development of our responsible investment policy – and the Group-wide integration of ESG criteria into the underwriting process and product management reflect these priorities. In the area of underwriting and product management, we are at the start of the integration process. We will gather experience as this progresses and make use of this experience as we continue to drive integration forward. Reducing our carbon footprint is part of doing business sustainably. It is generally accepted that this part of our business has a lesser impact on our commitment to climate change mitigation than the integration of climate and environmental criteria into investment and underwriting.

Social factors are extremely relevant to us as a provider of insurance and financial services. They include topics relating to employees and customers as well as social aspects in the areas of responsible investment, underwriting, partnerships, compliance and business ethics. The fact that social aspects are not only viewed through the lens of our CSR activities, but are in fact part of our core business, is illustrated by the integration of social criteria into our investment decisions through our responsible investment policy, the extension of these criteria through our active ownership strategy, the factoring of social criteria such as human rights and workers' rights into our underwriting decisions, and the progressive integration of these criteria into our supply chains. The results of the materiality assessment confirm that the key to further progress with regard to sustainability within Baloise also lies in these areas and that the focus should be on social aspects.

The topics in the area of corporate governance with the greatest relevance are the identification and mitigation of risk, business ethics and compliance, and cyber resilience and data security. This is consistent with our efforts with regard to the recommendations of the Task Force on Climate-Related Financial Disclosures, our strong corporate governance and compliance culture and the stepping up of activity in connection with our digital responsibility.
www.fsb-tcfd.org

Further information on the relevant aspects is available here: **www.baloise.com/materiality**

Memberships and ratings

ESG ratings

Explanations of our current ESG ratings and indices are part of transparent sustainability communication.
www.baloise.com/sustainability-ratings

MSCI confirmed our ESG rating of AA in 2023, with a slightly higher score than last year. The rating recognises our ESG-related diligence through screening, ESG integration and active ownership in the area of responsible investment, and our leading corporate governance practices.

Our Sustainalytics rating rose slightly in 2023 from 20.4 to 20.8 (medium risk), which was due to a higher valuation of our exposure to risk in the areas of product management, data protection, data security and ESG integration in the investment process.
www.msci.com/our-solutions/esg-investing/esg-ratings

Baloise is not involved in any controversies in the environmental (E), social (S) or corporate governance (G) spheres. We will carry on using the information from our ESG ratings to continuously improve sustainability activities and the reporting on these in future.

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). We regard partnerships as a fundamental requirement for the achievement of sustainability objectives.
www.baloise.com/sustainability-ratings

As a member of the Swiss Insurance Association (SIA), 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 the integration of ESG criteria into business processes. In 2023, we actively participated in the preparation of the SIA's industry reporting on sustainability topics, as we had done in previous years.
https://www.svv.ch/en/sustainability-2022

1994
Member of the Swiss Business Council for Sustainable Development (oebu)

2018
Signed the Principles for Responsible Investment (PRI)

2019
Member of the local network of the State Secretariat for International Finance (SIF) and Swiss Sustainable Finance (SSF)

2020
Signed the Principles for Sustainable Insurance UNEP FI PSI, supporter of the TCFD, included in the FTSE4Good Index series

2021
Joined the Swiss Climate Foundation and awarded accolade of 'Most Innovative Sustainability Insurer – Switzerland 2021'

Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

The Task Force on Climate-related Financial Disclosures (TCFD) is an initiative that was founded in December 2015 by the Financial Stability Board (FSB), an international body created by the G20 member states with the aim of promoting international financial stability. The TCFD's recommendations help investors, lenders and insurance companies like Baloise to identify the information that is needed in order to appropriately assess and evaluate climate-related risks and opportunities, and develop suitable measures to address them. We have been an official supporter of the TCFD's recommendations since 2020 and are progressively integrating them into our reporting processes. We plan to apply the TCFD framework in full in the 2024 reporting under the ordinance on climate disclosures that comes into force on 1 January 2024.

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Overview and references to relevant information

Governance

Information on governance of climate-related risks and opportunities

- Sustainability governance, see Annual Review from page 24
- Strategy from page 286
- Risk management from page 25
- Environment from page 309
- Responsible investment from page 300
- Responsible underwriting from page 306

Strategy

Information on the effective and potential climate-related risks and opportunities for business, strategy and financial planning, so far as material

- Business model, strategy and brand from page 284
- The Baloise value creation model from page 290
- Risk management from page 25
- Environment from page 309
- Responsible investment from page 300
- Responsible underwriting from page 306
- Customers, see Annual Review from page 68

Risk management

Information on how we identify, assess and manage climate-related risks

- Risk management from page 25
- Responsible investment from page 300
- Responsible underwriting from page 306

Metrics and targets

Information on which metrics and targets are used to assess and manage relevant climate-related risks and opportunities, if material

- The Baloise value creation model from page 290
- Sustainability KPIs pages 316, 334 and 345

Business risk related to ESG matters

Further information on risk management as part of our value creation process is provided on page 26 of this report. In this section, we outline material business risks for us in relation to environmental, social and corporate governance (ESG) matters.

Environmental matters

Risk description	Management of risk	Further information
Failing to adequately consider ESG factors in the investment process harbours **reputational risk** because responsible investment is important for Baloise and its stakeholders	Acting with a long-term focus and managing ESG risks and resources responsibly in line with our responsible investment strategy; making the required disclosures under the SFDR	Section: Responsible investment (page 300)
	Revising our responsible investment strategy on an ongoing basis (RI policy expanded for liquid investments, for some of the fund's private assets and for the majority of our funds, including fund selection in 2023)	Section: Responsible investment – Our approach to responsible investment in 2023 (page 301)
	Participating in the Climate Disclosure Project (CDP)	Section: Responsible investment – Highlights from 2023 (page 301)
	Creating transparency by publishing an active ownership review	Section: Responsible investment – Highlights from 2023 (page 301)
	Providing continuing professional development for employees in Asset Management	Section: Responsible investment – Highlights from 2023 (page 301)
Failing to adequately consider ESG factors in underwriting and product management harbours **business risk** due, among other things, to the increasing frequency of extreme weather events	Signing up to the Principles for Sustainable Insurance (PSI) in 2020	Section: Responsible underwriting – Sustainability risks in the underwriting policy (page 306)
	Introduction of an assessment process for actuarial sustainability risk management in 2021	Section: Responsible underwriting – Sustainability risks in the underwriting policy – Assessment process (page 307)
	Integration of ESG criteria in our underwriting guidelines	Section: Responsible underwriting – Sustainability risks in the underwriting policy – Transition and exclusions (page 307)

Social matters (employees)

Risk description	Management of risk	Further information
The commitment of Baloise employees is critical to the success of the Company. The required skill-sets are not available because skills are not developed or due to demographic change and poor employer branding (**skills shortage risk**).	We want to be one of the most attractive employers for committed and contented employees and regularly measure employee satisfaction to this end.	Section: How we create value for our employees – Strategic relevance of capable and motivated employees (page 320)
	Enhancing Baloise's employer branding through attractive positioning and campaigns as well as modern recruitment processes and tools, thereby creating a positive recruitment journey for candidates; in Switzerland, additional focus on regaining Friendly Workspace status	Section: How we create value for our employees – Risks and risk management methods in employee matters (page 322)
	Creating a good place to work thanks to a working environment that is forged by the shared principles enshrined in the Baloise Code of Conduct	Section: How we create value for our employees – Risks and risk management methods in employee matters (page 322)
	Continually recording key figures relating to the skills shortage, such as staff turnover and recruitment figures	Section: How we create value for our employees – Risks and risk management methods in employee matters (page 322)
	Taking steps to improve employee retention that take country-specific interests into account	Section: How we create value for our employees – Employee retention (page 322)
	Offering numerous services and initiatives to protect and promote the health of employees in the workplace	Section: How we create value for our employees – Health and safety (page 325)
	Promoting diversity and inclusion through networks, initiatives and employer campaigns	Section: How we create value for our employees – Diversity and inclusion (page 325)
	Promoting corporate citizenship among employees by encouraging voluntary work	Section: How we create value for our employees – Corporate social responsibility (page 326)
	At all our national subsidiaries, our employees have a say in the workplace through employee representatives. Together with all the national offices, Baloise has set up a joint committee – the Europaforum – to promote dialogue with employee representatives, share important information with them and involve them in discussions at the earliest opportunity.	Section: How we create value for our employees – Social partnership and participation (page 327)

Social matters (society)

Risk description	Management of risk	Further information
Our services contribute to the stability of society and help to prevent social inequality. We rely on the trust of the public to be able to provide our services. A loss of reputation or trust is therefore a **business risk**.	Baloise considers social matters in the course of its responsible investing	Section: How we create value for society – Responsible investment for society (page 331) Section: Responsible investment – Our approach to responsible investment in 2023 (page 301)
	Baloise considers social matters in its underwriting guidelines	Section: How we create value for society – ESG criteria in our underwriting policy (page 331) Section: Responsible underwriting – Sustainability risks in the underwriting policy – Transition and exclusions (page 306)
	Baloise gets involved in social matters in a variety of ways and promotes corporate citizenship among employees	Section: How we create value for society – Our social responsibility (page 332)
	Our sponsorship activities have a strong focus on music, culture and sport, allowing us to contribute to the diversity of society	Section: How we create value for society – Sponsorship activities (page 332)

Corporate governance

Risk description	Management of risk	Further information
Collaborating with partners creates value for Baloise and its customers. If partnerships fail, they can give rise to **business and reputational risk**.	Systematically maintaining partnerships that are beneficial for Baloise, the partners and customers allows us to create value	Section: How we create value for our partners (page 342)
Within a company's day-to-day operations, compliance refers to adherence to all laws, standards, internal instructions and organisational measures designed to prevent **reputational risk, financial risk, IT risk, political risk, human rights risk** or **environmental risk**.	Our utmost aim is to establish and promote a strong compliance culture and standards of ethical behaviour within Baloise	Section: Compliance culture creates value (page 338)
	Baloise has policies that cover matters such as money laundering, data protection, respect for human rights and anti-corruption and bribery	Section: Compliance culture creates value (page 338)

Responsible investment

Measures

- Developing our responsible investment policies on an ongoing basis and adapting to changing external parameters. A large part of the insurance portfolio and the majority of our funds are categorised as sustainable under articles 8/9 of the Sustainable Finance Disclosure Regulation (SFDR) or according to FINMA.
- Starting work on the inclusion of ESG considerations across the whole value chain of our property management in Switzerland
- Undertaking collaborative dialogue with companies and public policy engagement through our memberships of various industry associations (such as PRI, SSV, AMAS, SSF)
- Implementing the ESG training plan with external and internal training courses for our employees in Asset Management
- New active ownership disclosures. Active ownership includes exercising voting rights and engaging in active dialogue with companies in which we invest.
- Signing the Principles of Responsible Investment (PRI) in 2018

Effectiveness of the measures

- Assumption of responsibility for sustainable development and the shaping of our responsible approach to risks and resources
- Starting to give greater consideration to sustainability aspects in our property portfolio, with the aim of making a clear contribution to reducing the CO2emissions of buildings
- Providing employees in Asset Management with a broad range of basic knowledge with regard to responsible investing and our policies
- Continuous improvement of our communication and transparency in relation to responsible investment
- Contribution to the fight against climate change by reducing the negative impacts on the environment and society
- Agreement on and compliance with fundamental principles for the integration of ESG into our investment process and the associated reporting on our progress

Key performance indicators

Responsible investment is also important for the environment and society, which is why we take environmental, social and other criteria into account. The insurance portfolio relative to the CO2benchmark (page 303) and the distribution of the ESG ratings of our insurance investments (page 303) serve to measure the effectiveness of initiatives.

A sustainable approach in investment

The asset management team is getting behind the Baloise Group's sustainability strategy. We are taking responsibility for investment strategies in relation to both the investment of insurance assets of the Group and the investment of assets from external customers such as pension funds. Our efforts in the area of responsible investment build on our sustainability activities. We are an insurance group that was founded on the idea of community-based risk sharing and attaches particular importance to taking responsibility and putting sustainable development at the heart of everything we do.

The concept of sustainable development and the insurance and financial services industries share some important characteristics, for example the need to act with a long-term focus and to manage risks and resources responsibly. In addition to protecting our own business activity in the long term and thereby securing the jobs of our employees, we aim to actively help to shape the transformation of society in our role as a corporate citizen. Our responsible investment approach addresses sustainability risks and factors and integrates them into the investment process. Environmental and social characteristics as defined in the Sustainable Finance Disclosure Regulation (SFDR)[1] are also considered. This approach is documented in our responsible investment policies. We remain true to our values by acting in accordance with the responsible investment policy.

1 SFDR: Sustainable Finance Disclosure Regulation (EU) 2019/2088.

Highlights from 2023

We took another step forward in the area of responsible investment in 2023. Our advanced responsible investment (RI) strategy came into effect on 1 January 2023 for liquid assets, for some private insurance assets and for the majority of our funds, including fund selection. The development of the advanced RI strategy took account of the SFDR, FINMA Guidance 05/2021 on preventing and combating greenwashing and the requirements introduced by AMAS for self-regulation of transparency and disclosure for sustainability-related collective assets. The advanced RI strategy allows us to offer a wide range of sustainability-related investment options to customers in Switzerland and the European Union who have sustainability preferences.

We are also making steady progress in terms of transparency and disclosure. We participated in the Climate Disclosure Project (CDP) again in 2023,increasing our transparency around climate risks and emissions data and publishing the most important climate-related data for the insurance portfolio. We also published our second active ownership review in 2023.
www.baloise.com/active-ownership-review

Another important activity in 2023was providing continuing professional development on the topic of responsible investment to our employees in Asset Management. The focus was on communicating a broad range of basic knowledge, but the training also included information on the new responsible investment strategy. A plan for external ESG training was also implemented to complement the internal offering.

Our approach to responsible investment in 2023

Until the end of 2022, the general RI strategy consisted of exclusions, active ownership elements and the integration of criteria relating to the environment, society and corporate governance (ESG) into the investment process. It still applies to some private assets and bonds that were added to the insurance portfolio prior to 1 January 2023 ('grandfathering')[2]. A small proportion of the funds still apply the general strategy. On 1 January 2023,we began implementing an advanced responsible investment (RI) strategy. This involves general exclusions, wider exclusions, a best-in-class approach, ESG integration and an active ownership strategy. Both responsible investment strategies address the most important principal adverse impacts of investment decisions on sustainability factors.

Our advanced RI strategy is based on four strategic pillars:

1. **Exclusion:** We use systematic exclusions to avoid direct investments that fall within the immediate scope of the responsible investment policy and are exposed to material sustainability risks according to defined criteria. Exclusions are based on an assessment by MSCI Research LLC, a subsidiary of MSCI Inc., a leading global provider of investment decision support tools and services for the investment community. They are applied according to a defined threshold. An absolute exclusion applies for companies whose business activities or practices are linked to controversial weapons. As part of our climate strategy, we also exclude companies involved in coal (at least 10 per cent of their total revenue), producers of unconventional oil and gas (at least 5 per cent of their total revenue) and producers of oil and gas (at least 30 per cent of their total revenue). We also exclude producers of tobacco (at least 5 per cent of their total revenue) and companies that are in serious violation of the principles of the UN Global Compact (UNGC) and the guidelines of the Organisation for Economic Co-operation and Development (OECD) for multinational enterprises.

2. **Best-in-class:** The second pillar of the advanced RI strategy is the application of a best-in-class approach. Under this approach, the portfolio is designed to perform better than its benchmark with regard to sustainability by avoiding the worst bonds in the peer group. As part of the defined strategy, the worst 20 per cent of issuers within the respective sectors or peer group are excluded, based on the MSCI ESG universe. We use the best-in-class approach both for companies and for government bonds.

3. **ESG integration:** The investment teams incorporate sustainability risks into the investment analysis to reduce potential negative financial impact or reputational damage from sustainability risks. The portfolio management team is provided with dedicated environmental, social and governance (ESG) data. All investment teams have access to the ESG database of MSCI ESG Research LLC.

2 The relevant bond positions can only be held if they comply with the general strategy. A review is carried out at least once a year to see whether grandfathering should be continued for these positions.

4. **Active ownership:** Active ownership is an integral part of our approach to responsible investment. The active ownership strategy consists of the following four pillars:
   4.1. **Proxy voting:** We exercise the voting rights of listed Swiss equities in the actively managed insurance portfolio in accordance with the principles of a good and ethical corporate governance approach. Additional sustainability criteria are also an integral element of the proxy voting instruction, which was extended in 2023to include additional ESG criteria. Proxy voting is an important tool for meeting our responsibility as an investor. Proxy voting at AGMs allows us to exert influence on a company's governance and policies, particularly with regard to sustainability, ethical standards and corporate governance. This ensures that our investments meet social and environmental criteria, as well as financial criteria, and encourages companies to act responsibly.
   4.2. **Direct corporate dialogue:** Direct company engagement involves entering into constructive dialogue with companies in which we are invested in order to address specific sustainability-related matters. Under the advanced RI strategy, direct engagement is used in the following cases:
   - Deterioration of the MSCI ESG rating (final industry-adjusted company score) of a company after inclusion in the portfolio so that the investment no longer meets the requirements of the best-in-class approach
   - Serious breaches of minimum standards of conduct in areas such as human rights, employment, the environment and anti-corruption, defined as 'red flag' by MSCI.

   The primary aim of direct engagement is to help rectify the cause of the deterioration in the MSCI ESG rating or the failure to respect the principles of the UN Global Compact or the OECD Guidelines for Multinational Enterprises.

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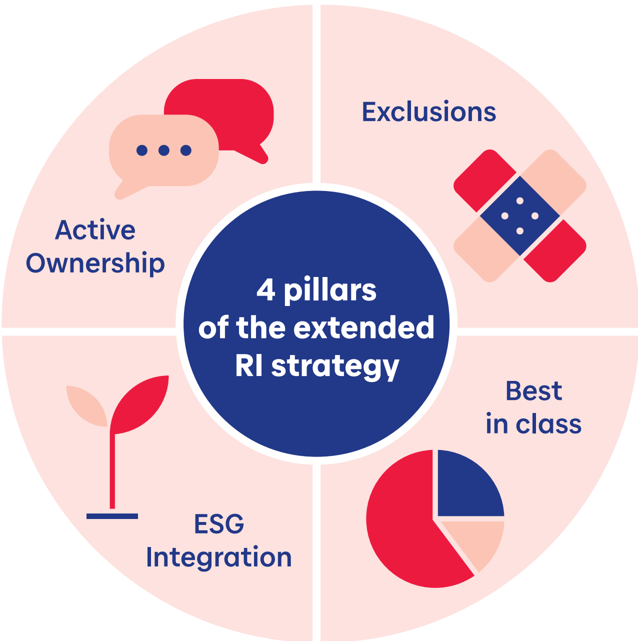
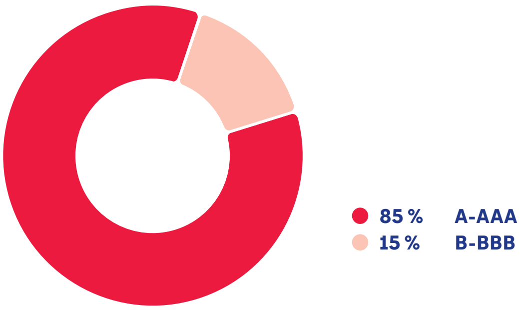
   4.3. **Collaborative corporate dialogue**: As well as engaging directly with companies, we also join groups of like-minded shareholders who are concerned with the same sustainability issues, in a process known as collaborative engagement. Collaborative discussions with companies can be conducted through participation in initiatives such as Climate Action 100+ orthe PRI cooperation platform.
   4.4. **Public policy engagement:** We also work with public authorities on ESG topics in certain policies. This takes place through our active involvement in various associations of which we are members:
   - PRI (Principles for Responsible Investment), an initiative supported by the United Nations that focuses on responsible investment practices
   - SIA (Swiss Insurance Association), the association of Swiss insurers
   - AMAS (Asset Management Association Switzerland), an association representing the interests of the asset management sector in Switzerland
   - SSF (Swiss Sustainable Finance), an organisation devoted to the promotion of sustainability in the Swiss financial sector.

These memberships provide support on specific or broader ESG topics such as reducing CO2emissions, decarbonising the economy and protecting biodiversity. The focus areas also help to guide us in the selection of possible collaborative corporate discussions as part of our active ownership strategy.



Distribution of the ESG ratings of our insurance investments

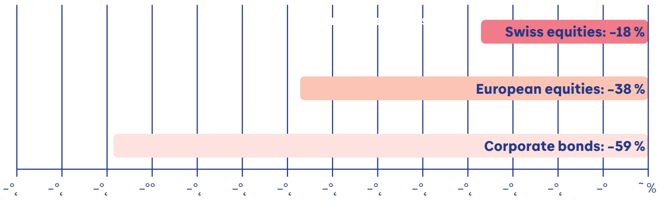


Source: Baloise Asset Management/MSCI, December 2023, equities and bonds with MSCI ESG rating, covered by the RI strategy; without weighting. As at 31 December 2023, the insurance portfolio included one position (0.02%) with an MSCI ESG rating of CCC.

The Baloise Asset Management climate strategy is an integral element of our responsible investment strategy. Under the climate strategy, we contribute to combating climate change 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. We use the data provided by MSCI Ltd. for this.
www.baloise.com/am-climate-strategy

The insurance portfolio relative to the CO_2 benchmark

(weighted average tonnes of CO_2/$M revenue)



Source: Baloise Asset Management, MSCI/data basis as at 31 December 2023: Swiss equities relative to SPI, European equities relative to MSCI EMU large-cap equities and corporate bonds relative to the Bloomberg Global Aggregate Index. The evaluation includes scope 1 + 2 of all securities covered by the RI strategy. Note: the benchmarks for our equities investments were changed in 2023.

Four pillars of the Baloise Asset Management climate strategy

Exclusion

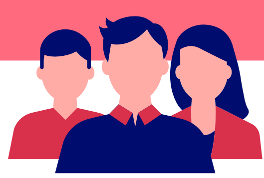
Reduction of physical and transition risk

ESG integration

Incorporation of ESG, including climate risks, into portfolio management

Commitment

Collaborative business dialogue, including climate-related topics



Transparency

Reporting on climate issues for investments

Additions to the responsible investment strategy in 2023

In 2023, we focused on the implementation of the advanced RI strategy. Building on the general responsible investment strategy, an advanced responsible investment strategy was developed for liquid direct investments, investments in target funds and for some of the private assets, which covers the following:

- Additional exclusions for companies and target funds relating to compliance with international standards, such as the UN Global Compact, and revenue from tobacco, conventional oil and gas and conventional weapons
- Additional exclusions for government bonds in the areas of human rights and climate
- A best-in-class approach based on the ESG (environmental, social and corporate governance) performance of companies and government issuers. Under this approach, the portfolio is designed to perform better than its benchmark with regard to sustainability by avoiding the worst bonds in the peer group. As part of the defined strategy, the worst 20 per cent of issuers or target funds within the respective sectors or peer group are excluded, based on the MSCI ESG universe.
- Direct corporate dialogue as an extension of the active ownership activities. We seek constructive dialogue with companies through our direct engagement activities, with the aim of addressing specific sustainability issues. The Baloise departments involved analyse the individual engagement opportunities based on data supplied by MSCI ESG Research LLC and publicly accessible documentation.
- Addressing principal adverse impacts as required under the Sustainable Finance Disclosure Regulation.

Based on these changes, updated Baloise responsible investment policies for insurance assets and for external customers and investment funds were published, along with the updated active ownership policy.
www.baloise.com/policy-insurance-funds
www.baloise.com/policy-third-party-assets
www.baloise.com/policy-active-ownership

Responsible real estate management

We are one of the biggest property owners in Switzerland. According to the Federal Office for the Environment (BAFU), buildings are responsible for around a quarter of all greenhouse gases emitted in Switzerland. As a responsible investor, we recognise that we have an obligation to help to reduce CO2 emissions from real estate in accordance with the global climate strategy. We aim to make our property portfolio in Switzerland more sustainable and to improve the expected risk-return profile. ESG considerations play an important role across the whole real estate value chain. This begins with the planning and development of building projects or the acquisition of portfolio properties and continues through to operational management and renovation, demolition or divestment. At the core of the value chain is a resilient property portfolio in which lifecycle costs are reduced through proactive planning and action. We are working to systematically integrate the relevant sustainability-related areas. A first step towards this is the new policy that was introduced on 1 January 2023.It describes how the Baloise real estate team should implement a forward-looking environmental and energy policy for the properties held directly by the Swiss insurance units. In 2023,work began on the integration of an energy management system (EMS) in order to have real energy consumption values available throughout the Group.

For further details, see the Baloise responsible investment policy for real estate.
www.baloise.com/richtlinie-immobilien (only in German)

The next steps

Going forward, we will continue to press ahead with the development of our responsible investment strategy. We will also continue implementing the requirements of the Sustainable Finance Disclosure Regulation (Regulation (EU) No. 2019/2088). The collection and evaluation of climate-related data for financial assets will also play an important role. Over the course of 2024, we will continue to develop the climate roadmap we previously announced. The transparency requirements for financed emissions will also be expanded in connection with Baloise's TCFD (Taskforce for Climate Related Financial Disclosure) reporting. TCFD offers a framework for companies to report on the financial impacts of climate change on their business activities. The implementation of the expanded active ownership activities will also be a priority. A new active ownership review is planned. A further focus will be on the strategic development of our advanced RI strategy. We are keeping a very close eye on regulatory developments in the EU and Switzerland so that we can align our activities accordingly

Responsible underwriting

Measures
- To be a reliable partner for customers whose business model is currently undergoing a transformation
- To implement the Principles for Sustainable Insurance (UNEP FI PSI) **www.unepfi.org/insurance/insurance**
- To manage potential ESG-related losses and risks for Baloise
- To make use of opportunities

Effectiveness of the measures
- Integration of ESG criteria into the underwriting guidelines and dialogue on this subject with our customers
- Support for the transition of the real economy to sustainable business models
- Expanded risk perspective though identification and mitigation of ESG risks, and adaptation
- Further development of our core business to ensure it remains viable in future

Key performance indicators

Our underwriting policy takes account of environmental, social and other criteria. The Group-wide results of the ESG assessments (page 307) serve as indicators for measuring the effectiveness of environmental and social initiatives.

Sustainability criteria in the underwriting policy

Through our products and services, we can influence the behaviour of the companies and individuals whose activities we support and help them to become more sustainable. We see ourselves as a reliable insurance partner to customers whose business model is currently undergoing this transition. We aim to work with them as partners, understand the challenges they face with regard to sustainable development, and support them.

In August 2020, we signed up to the Principles for Sustainable Insurance (PSI), which include the gradual integration of sustainability aspects into our underwriting guidelines. The process described shows how we are actively working to live up to our commitment.

The integration of sustainability aspects into our underwriting guidelines is a risk management instrument that can be used to support the transition of the real economy to sustainable business models, to minimise potential losses and to optimise risks for Baloise. We actively manage critical ESG risks in our underwriting policy. Where they exist, we mitigate them and where they could arise, we avoid them. This view of risk is complemented by the exploitation of opportunities. For example, we are committed to encouraging the use of renewable energy sources through our insurance solutions.

Managing identified risks

Through Group-wide collaboration between the non-life, life and group life insurance businesses, as well as the risk management and sustainability teams, we have identified the economic activities that represent high risks in connection with the following areas:
- Climate change
- Environmental damage including air or water pollution
- Protected species and areas
- Biodiversity
- Non-sustainable practices
- Human rights and employment rights
- Product quality and safety
- Bribery and corruption
- Healthcare.

These risks are not only a reputational risk but also a financial risk for us, as they affect customer behaviour, climate-related major loss events, the valuation of investments and the disruption of business operations for us and our customers. The identified economic activities are assessed for the above risks once they exceed a certain threshold. The use of a threshold ensures that the customer relationships that are relevant in an ESG context are assessed (see 'Risk management' chapter from page 25 onwards).

Assessment process

Since 2022, an assessment process has been in place for actuarial sustainability risk management that includes the evaluation of risks based on exclusions and sensitive areas. The assessment process involves both the relevant departments and our sustainability experts. When a request for a quotation is received, the economic activity is examined by the department on the basis of the defined exclusions and sensitive areas. Part of this review is automated and part is done manually. If the activity to be insured is a defined exclusion or a sensitive area, the department makes an assessment of the risk. This assessment considers the nature of the requested insurance benefit, the requested insurance volume, the company's revenue and details of its activity. If the revenue and insurance volumes exceed a defined threshold, a review must be carried out within the UW ESG boards of the relevant national units that are involved in the decision-making process. These decisions are documented. The decision-making bodies of the national units are made up of senior managers from the insurance and risk management departments and sustainability experts. Recorded training sessions are available internally, which are designed to promote assessment expertise in the departments. The sustainability experts of the national units also have a software solution to help them assess ESG risks in companies (see 'Risk management' chapter from page 25 onwards).

Transition and exclusions

In 2022, we began integrating environmental, social and corporate governance criteria into our underwriting guidelines. This means that certain economic activities are subject to an ESG assessment as a condition of Baloise continuing to provide insurance, or that existing customers in these defined risk areas continue to receive insurance cover during a transition period. The plan for structured dialogue with existing customers and their transition phase is still being developed. So far, no accounts have been terminated as a result of this assessment (or the transition periods are still ongoing) and the relevant processes are currently being finalised.

Certain sections within the value chain of the following economic activities, such as production, manufacture and extraction, are excluded:

- Fossil fuels
- Tobacco products
- Infrastructure and dam construction with critical impact on protected areas in non-OECD countries
- Controversial weapons
- Fast fashion.

The above exclusions are consistent with our responsible investment policy. Other economic activities may also be subjected to an ESG assessment involving the department concerned, sustainability experts and external data.

During the transition phase, the development of a sustainable business model will be discussed and agreed with existing customers in the above areas so that we can continue to insure them. It is important to engage in this dialogue in order to understand the individual business model in the context of the relevant industry and determine how it fits in with the underwriting guidelines. Unless otherwise contractually agreed, the transition phase is three years. An important criterion that we consider in this phase is the development of a transparent disclosure process, including objectives and progress towards achieving them. We also look at commitments entered into, such as recognised disclosure standards or industry practices in relation to sustainability. This is another important criterion as it enables us to gauge the progress of our customers towards having a sustainable business model.

Group-wide results of the ESG assessments in underwriting in Germany, Belgium, Luxembourg and Switzerland

	2023		2022	
	Non-life	Life	Non-life	Life
Rejection of request following assessment by a sustainability manager and/or the UW ESG Advisory Group	5	1	5	1
Acceptance of request following assessment by a sustainability manager and/or the UW ESG Advisory Group	32	6	70	17
Total requests	**37**	**7**	**75**	**18**

The above figures refer exclusively to new business. In Germany, Life business refers only to private customers, who are not subject to this assessment. The reduction in numbers is due to the additional experience acquired since ESG criteria were first implemented in 2022.

Information on environmental matters

How we create value for the environment

Measures

- Baloise Climate Roadmap mit Zielsetzungen in den Baloise climate roadmap with targets in the areas of operational, financed and insured emissions
- Disclosure of the carbon footprint since 1998
- Commitment to use natural resources in a responsible way and to reduce the carbon footprint of the business on an ongoing basis with ultimate responsibility resting with the Corporate Executive Committee and the Board of Directors
- Responsible investment that includes a climate policy and a real estate policy; focus topics in relation to the environment as part of our active ownership strategy
- 100 per cent demand for renewable energy within the energy mix we can control
- Becoming a partner of the Swiss Climate Foundation, with a seat on the advisory council since 2021

Effectiveness of the measures

- Supporting the efforts of Switzerland and the European Union (EU) to reach net zero by 2050, through the climate roadmap
- Continuously reducing the absolute and relative carbon emissions of our business activities since 2000 by more than 75 per cent
- Raising awareness of environmental issues and educating staff about relevant topics
- Promoting certified carbon offset projects since 2020
- Promoting renewable energies through our own energy consumption, investments and insurance products
- Combating climate change through responsible investment including climate strategy and dialogue with companies on ESG issues, focusing on: the green transition, reducing carbon emissions, and biodiversity
- Climate change mitigation and promoting other environmental aspects by integrating ESG criteria into underwriting and product management
- Helping to combat climate change through the inclusion of environmental criteria when selecting suppliers and their products and services
- Financial support via the Swiss Climate Foundation for small and medium-sized enterprises that contribute to climate change mitigation

Key performance indicators

In addition to the indicators used in our core business (underwriting policy, responsible investment), key figures relating to our environmental footprint and the calculation of our carbon emissions in accordance with the Greenhouse Gas Protocol Corporate Standard (page 316) serve as indicators for measuring the effectiveness of environmental initiatives.

How we create value for the environment

We have had our 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. The environmental mission statement became an integral element of the Baloise value creation model for sustainable development in 2018 and was thus incorporated into the Company's overall sustainability management. The environmental mission statement is part of our efforts to create value in relation to the environment. We commit to the achievement of the 2015 Paris Agreement and the UN's sustainable development goals (SDGs), and support them. Our particular focus is on 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).

Climate roadmap

We are committed to the targets of the Paris climate agreement and support the efforts of Switzerland and the European Union (EU) to reach net zero by 2050. Since 2000, we have reduced our operational emissions by more than 75 per cent. In a further step, we want to reduce these emissions by a further 25 per cent by 2030 compared to 2022. In the year under review, the emissions of all scopes recorded in 2022 were reviewed and tested for plausibility on the basis of better and more reliable data. The corrected figures for 2022 and the figures for 2023 are contained in the sustainability KPIs table on page 316. Managing investments and insured risks in accordance with climate criteria is an important lever in reducing the consequences of climate change. This requires large amounts of good quality data, which is not yet sufficiently available. For this reason, our first step will be to establish a reliable base of data which we will then use to determine reduction targets for our investment and insurance portfolios by 2025.

Principle

The environment is one of the most comprehensive resources in the Baloise value creation model. In managing this resource, our environmental policy focuses on promoting renewable energies and developing infrastructure in a way that adds value, and taking action to combat climate change. We focus on the responsible use of natural resources and the continuous reduction of CO2 emissions within the Company and within our business activities. Our responsibility to the environment and to the associated idea of value creation relates to our own energy requirements but also extends to our investments, the procurement of products and services, and our underwriting policy

Organisation

The Corporate Executive Committee bears ultimate responsibility in environmental matters and thus for the impact of Baloise on climate change, and is supervised in this role by the Board of Directors. Each national organisation has a coordination unit that implements environmental measures. The asset management team at Baloise has the task of implementing responsible investment measures. The implementation of ESG criteria in Group-wide underwriting guidelines and product management is the responsibility of each national organisation. The integration of environmental aspects into the purchasing process is coordinated by Group Procurement and implemented in all national subsidiaries. The aspects mentioned above are discussed and coordinated centrally in the Group-wide sustainability network. The rest of the process is the same as for sustainability governance (see Annual Review page 24 onwards).

Environmental footprint

The total energy and resource consumption revealed by the carbon footprint shows the amounts used by our large office buildings at all sites and at our computer centres and sales agencies in Switzerland. The figures reported thus relate to the energy and resources used by more than 85 per cent of the 8,020 people working for the Baloise Group. Both total consumption of heating and total electricity consumption (including external computer centres) have been reduced by 30 per cent over the last ten years through various energy-saving measures. 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.

Continuous reduction of CO_2 emissions since 2000

Climate change is without doubt the challenge of the century. Since the 1997 Kyoto conference in Japan, we have been publishing key figures on energy and resource consumption and have been calculating our absolute and relative CO2 emissions in accordance with the Greenhouse Gas Protocol Corporate Standard (GHG Protocol Corporate Standard) since 2022. Historically, our emissions data has been reported in accordance with the directives of the Association for Environmental Management and Sustainability in Financial Institutions (VfU). We also document the action we take each year in relation to the sustainable use of resources. The 2015 Paris Agreement, the successor to the Kyoto Protocol, has spurred us on in our ambition, and future measures will be based on the Paris objectives and the UN's sustainable development goals. Details of our CO2 emissions are shown with the sustainability performance figures on page 316. The historical calculations of our emissions can still be seen in previous years' reports:
www.baloise.com/annual-report
www.baloise.com/oekobilanz_2019-2021
https://ghgprotocol.org
www.vfu.de

In addition to optimising our processes, cutting our emissions and offsetting our carbon footprint, the promotion of climate action-related innovation is a key priority for us. Since 2021, we have been investing the net annual amount from the CO2 levy distribution through our membership of the Swiss Climate Foundation. The foundation uses these funds to support SMEs in Switzerland and Liechtenstein that develop innovative climate solutions or improve their energy efficiency. In 2023, the funding contribution amounted to around CHF 230,000.

Climate protection contribution 2023

Since 2020, we have been retroactively offsetting our CO2 emissions in accordance with the GHG Protocol that cannot yet be avoided through savings and optimisations. For 2023, financial contributions were made to reduce around 11,000 tonnes of CO2by supporting three certified climate protection projects. The projects were audited and recognised for the modalities and procedures of the following standards:

- Verified Carbon Standard (VCS),
- The Climate, Community & Biodiversity Alliance (CCB Standards),
- ISO 14064-2, validated by TUEV NORD.

www.baloise.com/co2-klimaschutzbeitrag-swiss-climate (only in German)

Environmental measures: Climate-friendly office buildings and working

As we are an insurance company, our operations are not fundamentally energy-intensive by comparison with a manufacturing company, for example. At our sites, we predominantly require energy for electricity and heating.

We apply the latest building standards and renovation methods to ensure that our office buildings are climate-friendly, and operate them in as resource-efficient a manner as possible. We now get all our electricity from 100 per cent renewable sources in Switzerland, Germany, Belgium and Luxembourg in the buildings where we control our own electricity mix.

All sites also have centralised recycling stations for paper, aluminium, PET and other waste. These replace the individual waste containers at individual workstations. All employees in Luxembourg, Germany and Belgium and at Group headquarters in Switzerland have been given reusable drinks bottles.

Switzerland: New Group headquarters and various optimisation measures

The construction of the new headquarters in Baloise Park complies with the standards for sustainable construction in Switzerland (SNBS) and so comfortably exceeds the legal requirements. District heating already covers 100 per cent of the heating needs of the office in Basel. In the staff restaurant, our suppliers provide meat only from free range or free roaming animals.

We have been producing electricity from our own photovoltaic system since 2014, covering around 0.5 per cent of the demand at the Group headquarters in Basel. The current system occupies the whole of the available roof area that is suitable for PV systems and is designed to last 25 years. In 2023,the photovoltaic system on the roof of our Group headquarters in Basel produced 18,802 kWh (2022: 20,877 kWh) solar energy. This is equivalent to the energy requirement of more than four average four-person households per year.

The energy-saving measures we implemented in response to the appeal by the Swiss Federal Council on 1 October 2022 had a significant impact on our heating energy compared with 2021 and 2019. By reducing the room temperature in our offices in Baloise Park, we reduced our energy use by 12 per cent in the last quarter of 2022 relative to 2019. This is a saving of more than 100,000 kWh in district heating, equivalent to the consumption levels of approximately 30 four-person households. These figures are even more impressive when compared against 2021, but the offices were used a lot less during that year due to COVID-19 measures, so a comparison with 2021 is not very meaningful.

We also implemented the following technical measures at the existing building at Baloise Park in 2022 in cooperation with AUE Basel-Stadt (Office for Environmental Protection and Energy).

This will save an estimated 50,000 kWh per year in electricity. At our agencies in Switzerland, we have also switched to flex office arrangements at various new premises or when offices have been modernised, thus optimising running costs and consumption.

Luxembourg: 'Wooden', our new office building

We have moved into our new office building in Leudelingen, Luxembourg, 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 building is equipped with a photovoltaic system and has been given a BREEAM Excellent rating. 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. This signifies that particular emphasis is given to the wellbeing of people in the planning and realisation of the building. The new office building is easier to get to by public transport. All lights are LED and most are controlled by movement detectors. As part of the national waste management plan and the national plan for sustainable development, we are working with 'SuperDrecksKëscht® fir Betriber', an initiative that supports companies and other organisations in implementing environmentally friendly waste management and waste avoidance strategies.

Germany: Optimisation measures in the vehicle fleet and buildings

We continued to roll out our company car scheme for senior office-based managers in 2023,switching from diesel to electric cars (around 18 per cent of those eligible for a company car). At Baloise in Germany, we decided against a transitional arrangement that would have included hybrid vehicles. We carried out a survey among sales force employees in 2023to help us develop measures to speed up the implementation process and to increase awareness and acceptance.

A 99 kWp photovoltaic system that generates around 87,000kWh/year, depending on the weather, was brought on stream at the Bad Homburg office. This is primarily intended to cover the building's baseload.

Our commitment to sustainable development in Germany was recognised by the public again in 2023, and we won an award for our sustainability report for the third year in succession. In the Zielke ranking of sustainability reports carried out by Zielke Research Consult GmbH, Baloise in Germany achieved fourth place out of 50 insurance companies – another substantial increase in our score compared with the previous year.

Belgium: From electric cars to greenfield site
We began transitioning the company car fleet from petrol and diesel to electric vehicles in 2023. All new company cars added to the fleet since July 2023 have been electric. Under Belgian tax law, company car fleets will have to be completely electric by 2028, so we are increasing the number of charging stations at all our company sites. All buildings, including those that are leased, are run solely on energy from renewable sources. We are also installing solar panels on our buildings in Antwerp and will also collect and use rainwater there, as we do at the office in Brussels. We have also raised awareness about our business travel. We are reducing the number of short-haul flights and using public transport wherever possible. We also encourage employees who commute to switch to more sustainable transport alternatives. During the annual Sustainable Transport Week campaign we encourage staff to travel by train, bus or bike . In 2023, we participated for the first time in No Mow May, both on the Company's own premises and by encouraging employees to join in at home, rewarding those who did so.

Employees and the public

We support organisations that focus on environmental protection and climate action, both by providing funding and by allowing our employees to volunteer. The environment and the services of natural ecosystems are a cornerstone of the future, long-term success and continued existence of our Company.
www.baloise.com/csr

We also focus on raising the awareness of our staff and providing them with background knowledge and information on various topics relating to sustainable development, including what they can do at home. In Luxembourg, for example, we work with our partner OUNI (operator of Luxembourg's first packaging-free grocery store) to educate our employees on environmentally responsible behaviour. In Germany, the Green Team is on hand to offer tips and advice to help employees adopt a sustainable and eco-friendly lifestyle at work and at home. This provides a forum for staff to share their knowledge and ideas with others. In Switzerland, the second Sustainability Day was held for trainees from all the Swiss offices in 2022. The trainees worked on their own environment projects and presented their results at an internal conference in May 2023. The aim was to provide them with information about combating climate change, and to link and apply this knowledge to the Baloise business model.

Employees are aware of our 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. To encourage our employees to choose climate-friendly forms of transport, further measures have been introduced:

- Since November 2021, only electric vehicles are available to senior managers in Germany as a company car. The cash alternative is also still available.
- A bike leasing service has been introduced for employees in Belgium and Germany.
- Employees and customers can charge their electric cars in Basel and Zurich (Switzerland) using solar power.
- An internal electric car fleet including charging station at the head office of Baloise's banking business (Solothurn, Switzerland) is available to all employees.
- Loss adjusters in Switzerland have been provided with electric bikes to get them from A to B.
- The use of public transport is encouraged through subsidised tickets in all national units.
- In Luxembourg, electric cars are freely available to employees at work.

We work hand in hand with other companies, organisations and public authorities across all countries in which we are active to find solutions to environmental problems. In Luxembourg, we teamed up with etika, an association for alternative financing that provides us with advice on sustainability issues, raising employee awareness and developing sustainable products. We particularly encourage the sharing of information within the sector through membership of insurance associations such as the Swiss Insurance Association (SIA), the German Insurance Association (GDV), Assuralia in Belgium and the Association of Insurance and Reinsurance Companies (ACA) in Luxembourg. We maintain an open dialogue with the public and regularly report on environmental projects and what has been achieved.

Innovative, environmentally friendly products and services

When it comes to sustainability innovations, Baloise focuses on the Home and Mobility ecosystems. Alternative solutions that have a less harmful impact on the climate and environment are especially relevant for our customers in the areas of transport and the home. For example, we offer our customers insurance for electric vehicles, solar panels and other products that help to protect the climate.
www.baloise.com/sustainability-innovations

Green transport

We provide comprehensive protection for our customers' electric vehicles and accessories through our Electra supplementary cover. If the charging point is damaged or stolen, for example, Electra covers the costs incurred. The same goes for the charging accessories. Our Electra supplementary cover also provides protection if the charging card or charging app is misused or if the battery is damaged.
www.baloise.ch/elektroauto-versicherung

The Drive Electric product is designed to support our customers after they have bought a car in order to ease them through the transition to an electric or plug-in hybrid vehicle. Customers who take out this insurance, which is offered in partnership with Enovos and diego, receive a free charging card that can be used at 180,000 charging points throughout Europe. Customers can also benefit from the personal support of an expert who will guide them through the process of selecting and installing a private charging point at home, and through all the dealings with public authorities (such as applying for government grants).
www.baloise.lu/electric-car

We promote the use of 'SMART repair' for damaged vehicles. Thanks to our partner network of workshops, we can offer eco-friendly repairs of the highest quality. This not only reduces greenhouse gases, but also conserves resources.
www.baloise.be/fr/contact-service/premiumplus

Customers of Insurtech FRIDAY contribute to combating climate change

Since October 2018, FRIDAY customers have been able to make their own contribution to combating climate change by offsetting the CO2 emitted by their cars. FRIDAY (Baloise's online and mobile insurer in Germany) offset 3,767 tonnes of CO2 between April 2022 and March 2023, contributing more than EUR 45,000 to finance climate action projects through its FRIDAY+ECO product, developed in collaboration with the respected climate action organisation myclimate. The climate change mitigation projects selected for the offset meet the highest standards (Gold Standard, CDM, Plan Vivo).
www.friday.de

Promotion of renewable energy

We offer our private and business customers insurance products for photovoltaic systems and more climate-friendly heating systems. It is important to us to offer the right protection for every system. In this way, we are encouraging greater use of energy from renewable sources and offering our customers the protection they really need.
www.baloise.ch/blog-06-22
www.baloise.de/GAP-Versicherung

Responsible core business

Responsible investment

Our responsible investment policies set out the rules for the integration of environmental, social and corporate governance criteria into investment decisions. These criteria also apply to self-managed assets of external customers (see the 'Responsible investment' chapter from page 300 onwards).

Responsible underwriting

We also began including environmental, social and corporate governance criteria in our underwriting guidelines in 2022. That means we can not only offer our customers products and services that promote sustainable development, but also optimise the risks within the community of policyholders (see the 'Responsible underwriting' chapter from page 306 onwards).

Carbon footprint

Our carbon footprint was reviewed, expanded and restructured in 2022. It is now based on the internationally recognised Greenhouse Gas Protocol Corporate Standard (GHG Protocol Corporate Standard). Data collection software was introduced to centralise and automate the consolidation and extrapolation of the data and the calculation of the emissions. This is essential to ensure the most complete possible reporting of our environmental performance indicators (see 'Key figures', page 316).

Adjustments to our carbon footprint for 2022

The way in which our CO2 emissions are calculated was revised in 2022. Due to adjustments to the units used for the emissions factors, the key figures for all scopes of our carbon footprint have changed:

- Scope 1 rose from 3,659 tCO2e to 4,738 tCO2e. This increase is predominantly due to adjustments in the calculation of emissions from our vehicle fleet. Since some offices supplied their data in kilometres and others in litres, adjustments had to be made to the composition of the formulas for the calculation.
- Scope 2 rose from 729 tCO2e to 1,004 tCO2e. This discrepancy is due to the emissions factors being adjusted and mainly affected the information on district heating.
- Scope 3 fell from 7,485 tCO2e to 4,983 tCO2e due to updated formulae and emissions factor units.

Overall, this resulted in a reduction from 11,873 tCO2e to 10,275 tCO2e across all scopes in 2022.

The carbon footprint includes our measured, collected and estimated direct and indirect environmental key figures. The emissions are measured in metric tonnes of carbon dioxide equivalent (tCO2e). Direct emissions are produced from sources that we can control ourselves, while indirect emissions are the result of our activities but are generated by sources that belong to other companies or are controlled by other companies. The organisational limits for the calculation of operational emissions were determined in accordance with the operational control principle. This control includes the ability of Baloise to introduce and implement operational strategies. The carbon footprint for Baloise thus covers our sites in Switzerland, Belgium, Germany and Luxembourg.

Scope 1 emissions include the use of fuel to heat buildings, the electricity generated from renewable sources at our sites, the Company's own vehicle fleet and the loss of coolant at our sites.

Scope 2 emissions cover the use of purchased electricity and district heating at the sites. This scope also includes the electricity consumption of electric cars used for company business. Scope 2 emissions were calculated using the location-based method.

Scope 3 emissions currently include paper and water consumption, the electricity consumption at the data centres we use, fuel-related and energy-related emissions, energy used by our employees working from home, the refuse we generate, and business travel and commuting by our employees.

Other categories are either not relevant to us or the quality of the available data is not yet adequate.

We use emissions factors provided by Swiss Climate AG, a consultancy firm operating in the areas of CO2 management, sustainability and energy, to calculate the emissions across all scopes. Swiss Climate AG has experience in determining science-based emissions factors and has these independently audited.

www.swissclimate.ch

Sustainability KPIs – Environment

Environment

	Unit	2023	Relative	2022	Relative	Reference
CO_2 emissions						Page 314
Total emissions	tonnes CO2equivalent	11,066.7	1,379.9 kg/employee[3]	10,724.7	1,336.4 kg/employee[3]	
Scope 1 emissions	tonnes CO2equivalent	4,078.3	–	4,738.3	–	
Scope 2 emissions	tonnes CO2equivalent	631.9	–	1,003.9	–	
Scope 3 emissions	tonnes CO2equivalent	6,356.0	–	4,982.5	–	
Change in operational emissions	%	3.2	–	–	–	
Energy						Page 311
Energy reference area[1]	EBF m^2	142,193.6		186,017.0		
Share produced from renewable sources[2]	%	100		100		
Electricity consumption	kWh	16,279,426.3	2,029.9 kWh/employee	18,109,629.1	2,256.7 kWh/employee	
Heating consumption	kWh	11,077,839.8	77.9 kWh/m^2	12,176,424.9	65.5 kWh/m^2	
Water consumption	m^3	38,743.6	22.0 l/employee/day	32,424.2	18.4 l/employee/day	
Paper						Page 312
Total paper consumption	tonnes	335.8	44.0 kg/employee	335.2	44.0 kg/employee	
Recycled	%	51.6	–	45.0	–	
Chlorine-free-bleached	%	17.0	–	25.8	–	
External printed matter	%	24.2		22.3		
Photocopy paper consumption	million A4 sheets	25.6	3,186.0 sheets A4/employee	23.2	2,884.3 sheets A4/employee	
Business travel						Page 313
Total business travel	million km	26.1	3,249.5 km/employee	24.1	3,006.5 km/employee	
Air	%	8.2	–	6.2	–	
Car	%	69.3	–	76.1	–	
Public transport	%	22.5	–	17.6	–	
Refuse						Page 312
Total amount of refuse	tonnes	510.1	63.6 kg/employee	400.4	49.9 kg/employee	
Paper	%	35.1	–	45.9	–	
Other recycled materials	%	3.9	–	4.6	–	
Special waste	%	0.2	–	0.2	–	
Misc. waste/refuse	%	60.8	–	49.3	–	

1 Including the insurance branch offices in Switzerland.
2 At locations for which Baloise can choose the electricity mix.
3 Including the total number of employees in the Baloise Group.

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Information on social matters

How we create value for our employees

Measures

- Modern and future-oriented working models
- Fair and competitive basic salaries as well as attractive profit-sharing programmes and employee retention schemes
- A work environment that promotes 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 the foundation for the creation of a comprehensive network within Baloise
- Modern corporate executive development focusing on areas such as reflection and self-organisation
- Promotion of diversity and strategic staff development planning
- Open innovation process for all employees

Effectiveness of the measures

- Healthy and financially secure employees
- Strong sense of loyalty in the workforce, resulting in long average periods of employment at the Company
- Opportunity to establish an extensive network and, as a result, to work in different positions over time
- Increasing the employability of Baloise employees
- Collaboration between employees enables us to respond quickly and flexibly to a changing business environment and customer requirements
- Modern leadership with flat hierarchies and coaching role for managers
- Improved customer experience thanks to employees with skill sets that are focused on future needs, working in diverse teams
- Innovative solutions for our customers, supported by employees with a high level of personal responsibility

Key performance indicators

Satisfaction metrics (page 321) are the most important indicator used to measure the effectiveness of the many employee-related initiatives. We also use other indicators for topics such as health and safety (page 325), diversity and inclusion (page 325), corporate social responsibility (page 326) and social partnership (page 327).

Strategic relevance of capable and motivated employees

Employees support implementation of the strategy

Our success relies on skilled and customer-focused employees working with dedication and commitment in areas that contribute to the implementation of our strategy. That's why we want to be and remain an employer of choice.

We have set ourselves a very ambitious employee-related target for Season 2 of our Simply Safe strategy: we want to be clearly perceived by our employees as one of the top employers in Europe by 2025. Specifically, we are aiming to be among the top 5 per cent of employers for employee satisfaction. The new target is considerably more ambitious than in the first strategy period, particularly since we now also include employers from outside the financial sector in the ranking.

This is also reflected in our ranking position. We began the new strategy period among the top 36 per cent of employers in Europe and were able to maintain this starting position in 2022 in what was a challenging environment. In 2023, our survey results even improved slightly. Set against a general decline in employee satisfaction in Europe, we thus ended 2023 in the top 29 per cent of employers, 7 percentage points higher than the previous year.

Continuity of measuring methodology

In 2023, we retained the new measuring method that was introduced at the start of Season 2.

- All employees are surveyed twice yearly.
- A more extensive survey is carried out every two years, which meant one was due at the end of 2023.
- The questionnaire consists of questions that apply to the whole Group and others tailored to specific business units.

- There are also numerous opportunities for employees to add comments, which are analysed with the help of artificial intelligence (AI).
- Transparency and dialogue are important to us. For that reason, the results of the surveys are broken down by team and made accessible to all employees, not just to managers.

Employee satisfaction survey (November 2023)

	2023	2022
Per cent		
Response rate	**77**	**75**
Committed and satisfied employees[1]	**81**	**79**
Women	82	78
Men	80	79

1 Employee happiness at work measures the average responses of our employees to the question 'How much do you like working at Baloise?' on a scale from 0 to 100 ('not at all like' to 'totally like'). For this purpose, the answers of all employees are recorded on a 5-point scale and converted on a linear basis to a scale of 0 to 100. Employees who ticked a positive answer (4 or 5) to the satisfaction question are categorised as 'committed and satisfied'.

In absolute terms, the results of our employee survey in 2023 remained stable or improved slightly. This was an extremely encouraging result given the persistently challenging economic and geopolitical environment in Europe. Compared to the steadily downward trend in employee satisfaction, we were thus able to significantly improve our ranking against a European benchmark.

Company-wide and team-specific measures

Moving our employee satisfaction levels closer towards our target remains a major challenge, so we have developed numerous improvement measures based on the results of the more comprehensive survey that took place as scheduled at the end of 2023.There is a particular focus on team-specific measures, as the findings of the employee survey are made available at the level of the smallest possible unit (mostly team level). For the first time, this year's survey included questions about the Baloise Code – a code of conduct developed by the employees themselves. **www.baloise.com/code**

In addition, the most important areas where action is needed were defined for all business units and specific measures were developed. These will now be gradually rolled out. Examples include increasing the reliability of our IT systems and introducing new ways of working in certain departments. We are working together to ensure that our employees value us as a leading employer, even in an environment that is likely to remain challenging for the foreseeable future.

Our employee key figures at a glance

	2023	2022
Employees, total	8,020	8,025
Average age in years	43.9	43.8
Average years of service	12.4	12.5
Staff turnover (per cent)	7.1	7.4
Percentage of employees with access to the share programme	44.2	43.9
Personnel expenses (CHF million)	1,024.5	968.6

Distribution of employees by gender

	2023	Per cent	2022	Per cent
Female	3,582	44.7	3,553	44.3
Male	4,437	55.3	4,467	55.7
Not specified	1	0.01	5	0.06

Age distribution

		Number	Per cent
Over 56	Female	577	7.2
	Male	913	11.4
	Sub-total over 56	**1,490**	**18.6**
46 to 56	Female	1,060	13.2
	Male	1,286	16.0
	Not specified	1	0.01
	Sub-total 46 to 56	**2,347**	**29.3**
35 to 45	Female	922	11.5
	Male	1,161	14.5
	Sub-total 35 to 45	**2,083**	**26.0**
Below 35	Female	1,023	12.8
	Male	1,077	13.4
	Sub-total below 35	**2,100**	**26.2**
Total		**8,020**	**100**

Distribution of full and part-time

Employment status	Gender	Number	Per cent
Full-time	Female	2,108	26.3
	Male	3,907	48.7
	Not specified	1	0.01
	Sub-total full-time	**6,016**	**75.0**
Part-time	Female	1,474	18.4
	Male	530	6.6
	Sub-total part-time	**2,004**	**25.0**
Total		**8,020**	**100**

Trainees and apprentices

	2023	2022
Switzerland	242	257
Germany	53	52
FRIDAY	6	5
Luxembourg	4	4
Liechtenstein	–	1
Total	**305**	**319**

In Switzerland, 54.4 per cent of our apprentices secured a job at Baloise after completing their training.

Risks and risk management methods with regard to employee-related matters

As a top-ranked employer and holder of the Friendly Work Space award, we are addressing the shortage of skilled workers by making ourselves better known and thereby more attractive in the job market. For existing employees, we offer an interesting working environment with wide scope for personal initiative and decision-making coupled with regular opportunities for continuing professional development and upskilling. We also collect and monitor various key figures on the skilled worker shortage, and keep a close eye on the average cost of recruitment (including advertising, executive search, etc.). In Belgium, for example, this is around EUR 3,785 and in Luxembourg around EUR 3,380 per hire, which is slightly below the European average.

Our Code of Conduct

We are optimistic:
We see opportunities.

We bear in mind customer needs:
We always consider their perspective.

We welcome change:
We boldly break new ground.

We keep our promises:
We walk the talk.

We value our colleagues:
We build personal relationships.

We are curious:
We constantly learn new things.

We share our insights:
We foster networking and collaboration.

We speak our minds and look for solutions:
Every voice matters.

We meet everyone on equal terms:
With compassion and a smile.

We are Baloise baloise

The Baloise Code is our Code of Conduct and was developed by employees, for employees. It has been guiding our activities for more than six years now. In 2023, the Code was updated and questions about it were included in the employee survey for the first time. It is applied across the Group.

Staff retention

Recovery and leisure time

As a responsible employer, the health of our employees is very important to us. Our working conditions ensure they enjoy a good work-life balance. There were no breaches of the legally stipulated rest times between two working days or shifts in any part of the Group in 2023. Nor was any legal action brought against us in relation to working hours.

Switzerland

Flexibility regarding place and time of work

- Flexitime
- Flex office
- Working from home and remote working: The office is our primary place of work. Of course employees can also work from home or from elsewhere – normally for around 40 per cent of their working week or, depending on the work situation, up to a maximum of 60 per cent (for a full-time employee).

Individual working models

- There are numerous opportunities for part-time working (e.g. option for 80 per cent of hours for almost all office-based full-time positions)
- Job sharing
- Pre-retirement part-time employment
- Option to choose between different notice periods

Opportunities for sabbaticals

- Maternity leave that is more generous than the statutory minimum
- Unpaid leave

You can find out what other benefits we offer our employees in Switzerland and what we stand for as an employer here: **https://jobs.baloise.com/en**

Germany

Flexibility regarding place and time of work

- 38 hours on a full-time basis with flexible working hours without core hours
- Home working and remote working (up to 60 per cent of contracted hours)
- Flexitime with time off for accumulated hours

Individual working models

- Numerous opportunities for part-time work for all employees

Opportunities for sabbaticals

- 30 days' annual leave
- Opportunity for special leave and conversion of salary into additional leave

Belgium

Flexibility regarding place and time of work
- Flexitime for all employees
- Working from home and remote working: employees can work a maximum of three days a week from home

Individual working models
- Numerous opportunities for part-time work for all employees
- Special 100 per cent working hours models: option to work a full week over four days or two weeks over nine days (by working longer hours on the individual working days)
- Hours reduced by 20 per cent or 50 per cent for employees aged over 55 (compensation from the employment office)
- Parent days for all employees with school-age children: half a day of unpaid leave per week

Opportunities for sabbaticals
- Parental leave: for employees with children under the age of 12 (compensation from the national employment office)

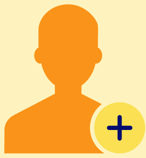
Luxembourg

Flexibility regarding place and time of work
- Flexitime for all employees
- Working from home

Individual working models
- Numerous opportunities for part-time work for all employees

Opportunities for sabbaticals
- Option to buy additional leave through a reduction in annual salary

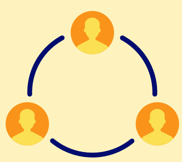
Learning and development



Own it
- Taking ownership
- Focusing on results

Learn
- Living curiosity
- Developing through reflection
- Promoting development of others
- Building digital literacy

Connect
- Living integrity & trust
- Leveraging diversity through dialogue



Collaborate
- Establishing meaning
- Collaborating effectively

The ten Baloise competencies are divided into four topic areas and provide information on the skills we as a Company particularly want to promote.

To deliver maximum performance now and in the future and to achieve our strategic goals, we are focusing on ten overarching competencies divided into four topic blocks. The competencies are equally relevant to all employees and are the subject of ongoing dialogue as well as being discussed at development meetings.

We create a learning environment that encourages and enables employees with and without a formal leadership role to develop the skills and mindsets necessary to take on new challenges and realise their full potential. We do this to ensure that we, as an employer, can sustainably attract and retain employees with the necessary skills and are therefore able to achieve our business goals and our transformation.

In 2023, the focus was on further developing our most important training content, strengthening a more self-determined and more individual approach to learning and development and creating the basis for efficient scaling.

Baloise Campus – Group-wide leadership programmes

We support staff in leadership roles on an ongoing basis by encouraging dialogue and reflection on the subject of leadership and developing the necessary skill sets. As part of our core programme for the development of executives – the Baloise Campus – we provide four different programmes that deal with various challenges facing senior managers.

The programmes in 2023 were as follows:

- 71 participants on the Early Leadership Programme (ELP) with a total of 248 training days
- 32 participants on the Programme for Experienced Practitioners (PEP) with a total of 224 training days
- 30 participants on the Advanced Leadership Programme (ALP) with a total of 240 training days
- 9 participants on the Senior Leadership Programme (SLP) with a total of 72 training days.

Of the 145 participants (total of 784 training days), 46 per cent (67) were female and 54 per cent (78) male.

The programmes promote an intensive, process-based learning journey and are designed to support managers either in tackling their own practical challenges (ELP and PEP) or with projects on matters of Group-wide strategic relevance through collaboration with senior managers and Transformation Leaders within Baloise (ALP and SLP).

Strengthening transformation and leadership capabilities

We continue to work on establishing an understanding of leadership as action and not merely as function, which encompasses the various forms of leadership be they hierarchical or distributed. We also aim to strengthen our transformation and leadership capabilities and to create the basis for scaling. With this in mind, we expanded our existing offering that covered subjects such as decision-making, coaching, team coaching, resilience, feedback and much more to include a Group-wide offering that deals with navigating and managing change. This was the main focus in 2023. In total, around 280 participants took part in workshops delivered by an internal network of catalysts and trainers as well as external coaches.

We also strengthened our collaborative approach to learning by adding circle learning formats, where our employees work with three to five other colleagues on a certain subject to progress their development. The employees benefit from the experience and knowledge of their colleagues to help them achieve their individual learning goal, and this regular exchange also expands their network and promotes collaboration.

Learning communities

We are continuously building and reinforcing learning communities at various levels. We offer a platform on which learning multipliers can share their knowledge and improve their skills to stay one step ahead in the development of high-quality training courses. In 2023, the focus was on the design and implementation of virtual courses and the creation of appealing e-learning courses. 193 employees from all units got involved in these learning communities and produced 214 e-learning courses. We have also developed a governance structure that enables us to provide learning content via a Group-wide network of multipliers and facilitators. Our aim is to use the existing courses and create new ones that meet the immediate needs of all business units, thereby making use of synergies and achieving cost savings.

Additional local activities and events

At local level, we systematically support the onboarding of our managers into new leadership positions (Switzerland, Belgium and Luxembourg). Further support is provided in the form of individual coaching or by supporting the development of teams in connection with the transformation of Baloise via our internal network of coaches or external partners.

Internal agile coaches support the ongoing transformation journey in Germany, Belgium, parts of Switzerland and Luxembourg, helping managers to practise agile working methods, reflect the agile mindset and improve processes in their teams. This is all in addition to specific Group-wide workshops aimed at strengthening agile competencies.

Baloise in Germany held its first learning week with more than 180 attendees. The focus was on different learning options based on our Baloise competencies (films, workshops, networking events, etc.). We also introduced various learning formats to introduce employees to generative AI-based software such as ChatGPT (Germany and Switzerland).

Health and safety

As a responsible employer, we strive to protect and promote the health of our employees and various initiatives are run in our national units with this aim in mind. The figure in brackets indicates the number of participating employees.

Switzerland

- Recertified as a 'Friendly Work Space'
- Corporate health management for all employees
- Case management: individual support and counselling to help employees cope with difficult situations and crises in their personal lives (220 cases, 94 of which were from the prior year)
- Ergonomic consultations (88)
- Discounted massages at head office in Basel
- Voluntary flu vaccinations for all employees (347)
- Average of five hours per person for health, safety and emergency training, e.g. courses on first aid for mental health, breath training, etc.
- Gym membership
- Weights rooms and relaxation rooms at head office

Germany

- Mental health campaign
- Healthy leadership through the transformation (16)
- Sleep yourself healthy – basic and advanced seminars (109)
- Stress management and self-care in Sales (32)
- Mental health – recognition and intervention (18)
- Staying strong in difficult situations (32)
- Inner Axis Breathwork (30)
- Back course at Zentrum am Michel, Hamburg (15)
- Mesana band – health monitoring at home (70)
- Mental health hotline
- Trinktimer app
- Meditation app
- Brainlight massage chair
- Massage in Hamburg and Bad Homburg
- Flu vaccination offered to all employees

Belgium

- B-Fit check-up (219)
- B-Balanced programme (74)
- Breathing exercises workshop (171)
- Workshop on recognising stress signals within your team (89)
- Participation in a study on absenteeism and possible management interventions (13)
- Flu vaccination programme for all internal and external employees (410)
- Every employee can consult an occupational health specialist if they have a health problem which they suspect may be due to their work.
- All first aiders take part in a one-day supplementary training course every year. For members of the fire service team, this is one day every two years. The union workplace representatives also receive supplementary training every year.

Luxembourg

- Vaccination campaign (55)
- Two programmes for health and wellbeing (131)
- Emergency training: once a year
- Health courses: total of 37 hours in 2023

Diversity and inclusion

We are more than 8,000 employees in five countries, so collaborating across borders and embracing differences is important. For us, diversity and inclusion means utilising our diverse strengths and personalities while remaining mutually respectful and accepting of each other.

The following measures from across the Group are examples of our approach:

- Our offices are accessible and additional assistance measures are provided on a case-by-case basis.
- We place great emphasis on non-discrimination in the Code of Conduct, in recruitment and in the benefits we provide.

Diversity

Below we have listed a few specific initiatives implemented by Baloise in Switzerland. These are representative of the work on diversity and inclusion carried out in the other countries. We try to approach the topic of diversity as broadly as possible with our initiatives in Switzerland. For example, we regularly take part in the external 50+ jobs fair. We also promote our LGBTQ network, which was set up by employees for employees. And we would also like to make our leadership teams more diverse. Our aim is to fill 40 per cent of all positions in the management team with people who meet at least one diversity criterion – age, gender or mother tongue. Women already make up one-third of all promotions and new hires each year. We encourage part-time working in all positions, including the sales force: almost all our full-time vacancies are advertised with an option to work 80 per cent of full-time hours. Almost a quarter of employees now work part-time. Last year, we launched a series of workshops across the Group to teach employees about unconscious bias (distorted perceptions that can lead to discrimination).

Diversity should be lived and experienced within the Baloise Group – but also measured with hard figures. That's why we carried out a pay-gap analysis in 2021. The ana lysis did not find any relevant unexplainable gender-specific differences in salary. We also participate in the diversity benchmarking of the University of St. Gallen, which measures different aspects of diversity – for example gender and age, but also nationality and language – and allows us to compare them with other companies. Ultimately, all these initiatives and measurements are part of the reason why we are regularly awarded the Friendly Work Space accolade.
www.baloise.com/diversity

Inclusion

As a responsible employer, we are committed to the health of our employees and to the integration of people with special needs. Only with an inclusive and healthy working environment can we enjoy long-term success as a company. We firmly believe that everyone should have the opportunity to participate in the labour market and realise their potential professionally. To achieve this goal, we partner with the Federal Disability Insurance (IV) to offer a number of places each year to help get people with disabilities back into work. We have provided more than 70 IV training places since 2012. They are specifically designed for people who, for health reasons, have difficulty gaining a foothold in the labour market. With targeted support and individual care, we help them to reintegrate successfully into working life.

Each year, we also offer special training places to give young people with special needs an opportunity to secure a vocational apprenticeship. Through adapted training plans and close collaboration with an internal specialist, we ensure that they too can gain the skills and expertise they need.

Corporate Social Responsibility

We continued our various corporate social responsibility activities in 2023.Below, we list a few examples of the areas in which we as a company are active – with the energetic support of our employees.

Community and good causes

- Every year for the past ten years, Baloise in Belgium has organised the Baloise for Life event during the Christmas period. We raise money for charitable organisations by putting on various activities for employees and the employees suggest which charities the money should go to.
- Baloise in Germany organises a Christmas concert in Hamburg's St. Michael's church for current and former employees and their families every year. The money raised goes to charity.
- Almost 50 colleagues from Baloise in Germany took part in Volunteer Day on 12 October. We helped out at a total of six childcare centres in Bad Homburg, Hamburg and Bremen, doing jobs that the regular staff rarely have time for.

Environmental protection and climate action

- Baloise in Belgium organised an internal 'sustainable transport week' and encouraged employees to travel sustainably during this period. A free bike checkup was organised for all employees who cycled to work.
- In June, Baloise employees in Switzerland partnered with BirdLife Switzerland to build dozens of nesting boxes and carried stones out into the fields in order to create new habitats for the little owl.

Education

- Baloise digital scouts in Switzerland have been working to raise awareness of digitalisation issues in society since 2017. With the aid of brochures, talks, workshops and exhibition stands on cyber security, smart home and media literacy, they educate and inform employees, parents, schoolchildren and pensioners. Free of charge, of course.
- Baloise in Switzerland supports the Future Skills Forum event where stakeholders come together to discuss the skills that companies will need to equip their employees for the future.

For more information on our Corporate Social Responsibility activities, see **www.baloise.com/csr**

Social partnership and participation

Switzerland
- All employees are covered by formalised employee representation structures.
- The collective labour agreement applies to more than 3,600 employees.
- There are a number of associations with strategies to promote representation and participation of target groups, such as Female Leadership, women@sales, parents@baloise, the LGBTQ network JUMP! and the Diversity Board.
- There were no demonstrations or rallies in 2023.

Employee commission in Switzerland
Our employee commission represents the interests of office-based members of staff (including apprentices) and the customer advisors of the insurance sales force vis-à-vis the Corporate Executive Committee. The employee commission has the right to prompt and comprehensive information concerning all matters where this is required in order for it to properly perform its role.

The employee commission has participation rights with regard to the following matters in particular:
- Questions of health and safety and the protection of workers
- The transfer of the business to a third party
- Large-scale redundancies
- Affiliation with an occupational pension provider.

The employee commission in Switzerland also has the right to a say on wage policy, holiday entitlement and the way in which holiday is taken, and working hours. The details are set out in the employee participation regulations.

The members of the employee commission carry out their commission-related duties in working hours where necessary. The chair of the employee commission is released from his or her professional duties for 50 per cent of his or her contracted hours.

Germany
- 97 per cent of employees are covered by the collective pay agreement for the insurance sector.
- There are a number of associations with strategies to promote representation and participation of target groups, such as FemaleXChange, the LGBTQ network JUMP! and the Diversity Board.
- There were no demonstrations or rallies in 2023.

Works councils in Germany
The local works councils in Germany are elected by the employees every four years at all locations. A General Works Council is formed from the local works councils. The local works councils look after the interests of the employees at their location in relation to personnel measures such as hiring, dismissals, transfers, training, etc. The General Works Council deals with company-wide matters such as the introduction of or changes to software systems or fundamental structural changes in the Company. Both bodies have a variety of tasks, including:
- monitoring the implementation of laws, regulations, collective agreements and company agreements;
- ensuring that men and women are treated equally;
- facilitating the integration of severely disabled people;
- promoting the employment of older workers;
- promoting workplace health and safety and environmental protection measures.

Employee representatives have co-determination rights in relation to the following matters in particular: personnel measures, a number of social issues (such as those relating to working hours, annual leave principles, introduction of software, social institutions, group work and remote working) and changes in business operations.

Belgium
- All employees are covered by formalised employee representation structures.
- There are 17 signed collective pay agreements.
- Every four years, 'social elections' are held in which employees can stand for election to one of Baloise's three advisory committees. The next elections will take place on 16 May 2024. All employees are eligible to vote.
- There are a number of associations with strategies to promote representation and participation of target groups, such as Women in Finance, Women on Board and the Young Talents Programme.
- There were no demonstrations or rallies in 2023.

Employee commission in Belgium
The employee commission in Belgium is organised along similar lines to that in Switzerland. It represents the interests of more than 1,500 employees in office-based and sales force roles. As a commission, it has the right to advise Baloise as an employer and to access information on the use of social control. It also has access to information on employment relationships and on the commercial and financial situation of the Company. The employee commission in Belgium also looks after the wellbeing of our employees, for example in matters such as workplace ergonomics. Most of the commission members hold full-time positions in addition to their seat on the commission, and do not wish to be released from their duties. They believe it is important to work alongside their colleagues. However, the employee commission is given the time it needs to perform its role.

Luxembourg

- 100 per cent of the workforce is covered by formalised employee representation structures, 70 per cent by structures relating to working conditions.
- There is one signed collective pay agreement.
- One person is appointed as an equal opportunities officer and there is a group for employee engagement and satisfaction.
- There were no demonstrations or rallies in 2023.

The interests of all Baloise employees in Luxembourg are represented by two employee commissions, one for Baloise Assurances Luxembourg SA and a second for the staff of Baloise Vie Luxembourg SA. The employee commissions in Luxembourg enjoy regular, open and constructive dialogue with the Executive Committee. They meet to discuss issues such as finance, personnel and professional development.

Based on the number of employees (more than 150), the employee commission of Baloise Assurances Luxembourg SA has specific co-determination rights that are enshrined in law. By mutual consent between the employer and the employee representatives, these are decisions relating to:

1. the introduction or application of technical systems to monitor the behaviour and performance of employees at their workstations;
2. the introduction or amendment of measures to protect the health and safety of employees and to prevent occupational illnesses;
3. the specification or amendment of general selection criteria for recruitment;
4. promotions, transfers, dismissals and, if applicable, the priority criteria for inclusion in early retirement programmes for salaried staff;
5. the creation and implementation of professional development programmes or collective bargaining measures;
6. the specification or amendment of general criteria for employee assessment;
7. the creation or amendment of internal regulations, taking account of any collective agreed regulations that may apply;
8. the granting of remuneration to employees;
9. the introduction or amendment of a specific Work@home policy at company level.

European Forum

The European Forum was created by agreement between Baloise and the national employee representatives as an opportunity for the representatives to meet regularly with the Corporate Executive Committee and senior management and discuss current issues of relevance to the Group as a whole.

Careers website:
www.baloise.com/jobs

Careers blog:
www.baloise.com/karriereblog

Facebook:
www.facebook.com/baloisech

YouTube:
www.youtube.com/baloisegroup

Instagram:
www.instagram.com/baloisejobs

LinkedIn:
www.linkedin.com/company/baloisech

How we create value for society

Measures

- Compliance with approval requirements, relevant legal provisions and fundamental rights (such as human rights), including monitoring by regulatory authorities
- Baloise business model, which protects customers from falling into financial distress through financial support when a claim arises, pension benefits and solutions for individual saving
- Inclusion of ESG criteria in the investment process since 2018, with the later addition of a climate strategy, an active ownership strategy and a real estate strategy
- Inclusion of ESG criteria in our underwriting guidelines, including human rights and employment rights
- Payment of taxes and support (financial and non-financial) for charitable and environmental organisations (CSR)

Effectiveness of the measures

- Maintaining a stable risk-sharing community as well as prosperity and a welfare safety net for society, while preventing potential social inequality as a result of financial circumstances
- Minimising risk in the investment process and in the underwriting process for insurance products, and supporting companies that factor ESG criteria into their decision-making. Engaging in dialogue with companies on ESG matters such as human rights, biodiversity and anti-corruption measures
- Increasing the public sector's ability to invest for the public good through financial contributions
- Supporting community and good causes, environmental protection and climate action, healthcare, education and research, innovation and safety, while also encouraging voluntary work and the community work of employees

Key performance indicators

In addition to the indicators for social matters used in our core business (underwriting policy, responsible investment), key figures relating to claims and benefits paid (page 331), taxes paid (page 332) and measurement of our reputation (page 332) also serve as indicators for measuring the effectiveness of social initiatives.

How we create value for society

We see our Company as part of the sustainable development of a stable society and a healthy environment and we therefore believe we have a responsibility to society in our role as a corporate citizen. We conduct our business activities in accordance with the relevant legal provisions and in compliance with the basic rights enshrined in the constitution of the Swiss Confederation, such as human rights (see also page 339 in the 'Compliance culture creates value' chapter). 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.

Our business model plays an important part in maintaining society's prosperity. Our products and services enable companies and private individuals to take risks that they would not be able to manage on their own without great financial expense. Companies can develop and grow sustainably, and private individuals can enjoy greater financial security. This also prevents potential inequalities based on financial opportunities and contributes to an equitable society. We fulfil our responsibility to society by sharing risks and costs and operating our business in a forward-looking and innovative way. This means weighing up the positive and negative consequences of our decisions and actions on fundamental issues for our business, society and the environment.

The claims and benefits paid to our customers reflect the contribution that they do not have to pay themselves or, in extreme cases, would have to come from the public purse. These payments therefore help to make the economy more resilient. In the non-life business, they include claims paid under products such as contents insurance, liability insurance and motor vehicle insurance, and particularly natural disaster insurance. In the life business, they include annuities and benefits paid out from life insurance policies.

Claims and benefits paid

	2023	2022 (adjusted due to IFRS 17 transition)
CHF million		
Non-life	2,530.9	2,531.3
Life	4,473.6	4,606.9
Total	**7,004.5**	**7,138.2**

The payments recognised mainly comprise claims payments including claims handling costs in the non-life segment and insurance benefits paid including investment components and surrenders in the life segment.

Responsible investment for society

We take our role in society as a responsible custodian of assets seriously, which is why the asset management team is continuously developing its responsible investment strategy. The advanced responsible investment strategy has governed the majority of investments since 1 January 2023. Baloise Asset Management uses the data provided by MSCI Ltd. to integrate ESG criteria into the investment process. Exclusions are applied and the best-in-class approach is used to create the investment universe. Alongside issues relating to climate, the environment and proper corporate governance, social issues such as health and safety, people development and human rights play an important role in assessing sustainability. The relevant data is supplied to the portfolio managers for ESG integration.

We also pursue an active ownership approach. The objective of our active ownership strategy is to generate a long-term positive risk-return ratio and mitigate risk for customers. We also aim to use the funds entrusted to us and the financial strength this gives us to persuade the management of our portfolio companies to address ESG-related risks and exploit the opportunities.

As part of our active ownership strategy, we engage in collaborative dialogue with companies or with the public sector through our membership of various industry associations (such as Principles for Sustainable Insurance (PSI), Swiss Insurance Association (SIA), Asset Management Association Switzerland (AMAS) and Swiss Sustainable Finance (SSF)) to discuss specific or general ESG topics. Our advanced responsible investment strategy now also includes direct engagement activities, which involves entering into constructive dialogue with companies in which we are invested in order to address specific ESG matters. Direct engagement is used, for example, in the event of serious violations of minimum standards of conduct in areas such as human rights, employment, the environment and anti-corruption.

We published our second active ownership review in 2023: **www.baloise.com/policy-active-ownership**.

For more information on our responsible investment strategy, see page 300 in the ‘Responsible investment’ chapter.

ESG criteria in our underwriting policy

We began applying social criteria in addition to environmental and corporate governance criteria in our underwriting guidelines in 2022. This means that we will no longer insure certain economic activities or that existing customers in these areas will be allowed a transition period. In addition to risks such as climate change, bribery and corruption, risks that have a direct impact on social conditions will also be taken into account. These risks can be divided into non-sustainable practices, human rights and employment rights, product quality and safety, and healthcare.

For further information on the integration of ESG criteria into our underwriting policy, see page 306 onwards in the ‘Responsible underwriting’ chapter.

Our social responsibility

Corporate social responsibility is the part of our approach to sustainability that focuses on society and the environment in our value creation model. We have also been a committed advocate of voluntary work for many years and encourage employees in all parts of the Baloise Group to engage in voluntary activities. In 2015, we 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 also meets its own responsibility to society as a commercial organisation. Four of our employees in Switzerland are currently members of cantonal parliaments, and many others are involved in politics at local level. Furthermore, Baloise creates and preserves jobs that add value and pays taxes from its profits that help to fund the public sector. The majority of the taxes are payable in Switzerland.

Taxes paid

	2023	2022 (restated)
CHF million		
Taxes paid	35.9	75.6

See 2023 Annual Report, page 84 'Consolidated cash flow statement'

The profits we generate enable us to be an active partner in many areas of society. Baloise runs a number of charitable projects and initiatives in its national subsidiaries, which can be roughly divided into the following categories:

1. **Community and good causes**
2. **Environmental protection and climate action**
3. **Healthcare**
4. **Education and research**
5. **Innovation and safety**

Our national companies decide which projects they wish to be involved in within the scope of the Baloise CSR Charter.
www.baloise.com/csr-charta

Baloise and its employees made total charitable donations of more than CHF 760,000 in 2023, which equates to around CHF 95 per employee. This sum includes only financial donations that were given to organisations that serve the common good or a charitable purpose or which promote environmental protection. It does not include donations of goods, expenses incurred for the organisation of volunteer workers, support for events staged for the common good, or financial support for organisations and events that serve an educational purpose.

Once again, employees at all our offices took part in voluntary activities for the benefit of society and/or the environment in 2023. Employees were allowed to carry out some of these activities during working hours.
www.baloise.com/csr

In Switzerland, the groundwork was laid in 2022 for collaboration with the spendenbuch.ch portal – Switzerland's first nationwide platform for donations in kind. Baloise provides the portal with products that have been involved in insurance claims and can no longer be sold directly. The products are all in perfect condition and completely usable. Often, the only reason they cannot be sold in retail outlets is that their packaging is damaged or missing. All products are inspected by Baloise before being donated to spendenbuch.ch and they are provided free of charge, provided that all legal requirements and reservations are satisfied. The donations portal gives charitable organisations, in particular, straightforward and predictable access to donated goods of all kinds. All donations are passed on directly and without any deductions to the recipient organisation. As well as making a valuable contribution to charitable organisations in Switzerland, we are conserving resources through this initiative by enabling fully functioning products to be used that would otherwise be thrown away.

Baloise conducts regular reputation assessments to measure public awareness of our social engagement activities. CSR activities only add value for other Baloise stakeholder groups if they are widely recognised. In 2023, we partnered with reputation management institute Reptrak© to carry out surveys in Belgium, Germany and Switzerland. The average score across all three countries is slightly lower than in 2022, at 67.4 points (on a scale where 60 to 70 is average). Demands on the Company have increased due to the social challenges, and this is reflected in the results. The three attributes of the 'citizenship' driver across all three countries achieved the following average scores for the year:

- Has a positive impact on society: 68.5 points (2022: 69 points)
- Supports good causes: 67.4 points (2022: 67.7 points)
- Cares about the environment: 66.4 points (2022: 66.5 points)

The results show that communication is even more important at a time of major social challenges, as corporate citizenship activities only have a positive external benefit if the public is aware of them. 'Citizenship' is an important driver in terms of overall reputation and has a significant impact on the way Baloise is perceived by the public.

Weblinks to the activities of the national companies

- Switzerland
  www.baloise.ch/de/ueber-uns/engagement
- Belgium
  www.baloise.be/nl/over-ons/csr-en-sponsoring
- Luxembourg
  www.baloise.lu/unsere-verantwortung
- Germany
  www.basler.de/de/ueber-uns/nachhaltigkeit

Sustainability KPIs – Social

Social

	Unit	2023	2022	Reference
Employment and retention				Page 321
Number of employees		8,020	8,025	
Part-time employees	%	25.0	24.1	
Staff turnover	%	7.1	7.4	
Duration of employment	years	12.4	12.5	
Proportion of employees with access to the share programme	%	44.2	43.9	
Average employee satisfaction [1]	out of 100 points	77	76	
Proportion of engaged and happy employees [2]	%	81	79	
Health and safety				
Friendly Work Space (certification in Switzerland)	out of a possible 5 points	4.83	4.83	
Training and development				Page 322
Proportion of trainees in the workforce	%	3.8	4.0	
Number of apprentices, trainees, interns and working students		305	319	
Philanthropy				
Total donations by the Baloise Group	CHF thousand	660.2	652.4	Page 332
Number of employees engaging in voluntary work		1,033	770	
Diversity and inclusion				Page 321
Proportion of women in the workforce	absolute	3,582	3,553	
	%	44.7	44.3	
Age distribution of employees				
under 35	%	26.2	26.6	
35 to 45	%	26.0	25.4	
45 to 56	%	29.3	30.3	
over 56	%	18.6	17.7	
Average age	years	43.9	43.8	
Responsible investment				Page 300
Total AGMs at which Baloise Asset Management voted [3]	number	25	25	
Total agenda items on which Baloise Asset Management voted [3]	number	13	13	
Votes against the management's recommendations at the AGMs [3]	number	59	42	
Distribution of ESG ratings across Baloise insurance investments [4]				Page 303
A-AAA	%	85	80	
B-BBB	%	15	20	

1 Employee happiness at work measures the average responses of our employees to the question 'How much do you like working at Baloise?' on a scale from 0 to 100 ('not at all like' to 'totally like'). For this purpose, the answers of all employees are recorded on a 5-point scale and converted on a linear basis to a scale of 0 to 100.
2 Employees who ticked a positive answer (4 or 5) to the satisfaction question are categorised as 'Committed and satisfied'.
3 See **www.baloise.com/corporate-governance**.
4 See chapter 'Responsible investment' from page 300 onwards.

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Information on corporate governance

Compliance culture creates value

Measures
- Organisational measures to ensure compliance with laws, standards and instructions
- Raising of employee awareness through communication on instructions, regular training and concerted action in the event of violations
- Multiple channels – including anonymous whistleblowing channel for employees and outside parties – are available for reporting suspected violations
- Group-wide cooperation based on the Baloise compliance framework
- Ultimate responsibility rests with the Corporate Executive Committee and the Board of Directors

Effectiveness of the measures
- Risks relating to data protection, money laundering, antitrust law, corruption, insider trading and other compliance issues are systematically monitored and minimised through internal control mechanisms
- Establishment of a compliance culture that promotes and strengthens ethical conduct
- Promotion of a sense of responsibility in employees to secure their support in cases of suspected violations
- Creation of a shared Group-wide understanding of compliance
- Regular and ad hoc assessment of compliance risks and development of appropriate measures

Key performance indicators

The number of compliance training sessions attended by employees, reported violations and the annual compliance report presented to the Corporate Executive Committee and the Audit Committee of the Board of Directors serve as indicators for measuring the effectiveness of compliance initiatives.

Compliance culture creates value

Within a company's day-to-day operations, compliance refers to all organisational measures designed to ensure that laws, standards and instructions are respected. It covers all strategies required to ensure the proper conduct of a company, which includes adhering to laws and standards issued by regulatory authorities – especially FINMA – and having internal company policies and directives in place. This encompasses areas such as data protection, money laundering and corruption. Compliance plays a key role in creating sustainable value for stakeholder groups such as customers, partners, employees and shareholders. A distinctive aspect of our compliance culture is that a basic attitude of self-responsibility has been created to ensure that employees fully understand the guidelines and are able to operate within the set framework.

Compliance requirements in a regulated company are strict and becoming ever stricter. New regulations and tighter controls by regulatory authorities present a challenge for the entire organisation.

Our aim is to establish and promote a strong compliance culture and standards of ethical behaviour within Baloise. Raising awareness among our employees with regard to compliance plays a central role here. We issue directives and provide regular training (every one to three years) to cover topics such as data protection, combating of money laundering, competition law, bribery and corruption. In 2023,3,756 employees in Switzerland completed compliance training. The participants and the degree to which the training is completed is monitored in the internal training system. At the same time, a rigorous approach in the event of violations is important in order to increase employees' awareness of ethical behaviour. One serious, and thus internally notifiable, fraud case arose in 2023.Suspected violations can be reported via a number of channels, including an anonymous whistleblower platform that is also open to external parties. Clearly defined, Group-wide rules are in place that govern how reports and cases are to be dealt with. There are also clear rules and approval processes governing the granting and acceptance of gifts and non-cash benefits set out in internal directives and in the Baloise Code of Conduct.

Within the compliance framework, Group Compliance works with the local compliance managers to develop Group-wide policies and minimum standards in accordance with a risk-based approach. In this way, we create an understanding of compliance that is shared across the whole Baloise Group. This includes, among other things, strategic tasks, advice and support, control and monitoring, and reporting at local level and from a Group perspective. The Compliance function is responsible for the early identification of new compliance risks in respect of matters such as new regulation, new business areas or new partners. New compliance matters are added to the compliance standards as required. New sustainability-related topics are incorporated into the existing compliance framework and handled accordingly. Additional standards may be agreed in future if required for a specific topic.

Compliance supports the Executive Committee in the performance of its organisational due diligence by specifically advising, developing operational parameters and identifying compliance risks periodically and on an ad hoc basis. Compliance is the central point of contact for employees' questions and reports relating to compliance matters defined in the Code of Conduct. Group Compliance assesses and reviews the local compliance plans and the implementation of the standards by means of appropriate controls. Compliance monitors important legal developments and provides information about the status of the implementation of and adherence to the internal and external legal and regulatory provisions. Existing compliance risks are also identified, assessed and monitored. Every six months, reports on all the above matters are submitted to the local Executive Committees and, in consolidated form, to the Corporate Executive Committee and the Audit Committee of the Board of Directors.

Anti-corruption measures

We make a distinction between active and passive bribery. With regard to active bribery, employees must not promise any gifts or hospitality with the aim of inducing holders of public office or individuals bound by a duty of allegiance to violate their obligations towards their organisation or company or to exercise their discretionary powers in favour of Baloise.

With regard to passive bribery, employees must not let themselves be induced to make certain decisions or behave in a certain way by accepting gifts or hospitality. The fundamental rule is that gifts and hospitality must not be accepted if this might influence employees' specific decisions or their behaviour.

The individual market-specific companies in Belgium, Germany, Luxembourg and Switzerland must appoint anti-corruption and anti-bribery officers. Each company has internal instructions in place that reflect local law. Regular training ensures that employees are familiar with anti-corruption regulations and are informed of any changes to the legal situation.

Annual compliance reporting makes it possible to monitor compliance with these rules and to intervene where necessary. No incidents of corruption were reported in the reporting year. In the underwriting guidelines, bribery and corruption were also identified as a risk that we take into account when excluding various business activities (see also page 306).

Respect for human rights

Respect for human rights and for employee rights is very important to us in our business activities and under our investment and underwriting strategy. With insurance operations in Europe, we expressly acknowledge the global values and laws pertaining to human rights. Our objectives and approach with regard to human rights are set out in our Group-wide Respect for Human Rights Policy.
www.baloise.com/policy-human-rights

We are committed to respecting human rights in accordance with the UN Guiding Principles on Business and Human Rights (UNGPs) and to upholding them in our business activities and along the value chain. This commitment encompasses all internationally accepted human rights, including:

- the International Bill of Human Rights, comprising the Universal Declaration of Human Rights (UDHR), the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR);
- the Convention on the Rights of the Child (CRC);
- the fundamental conventions of the International Labour Organization (ILO).

We have also signed up to the UN Principles for Sustainable Insurance (PSI) and the UN Principles for Responsible Investment (PRI).

Organisation and compliance

Our approach reflects the business activities that we carry out as:

- a provider of insurance and financial services (underwriting guidelines);
- an employer (Code of Conduct);
- a buyer (purchasing guidelines).

We have appropriate policies and processes in place in this context. Annual risk analyses are conducted, and the risk in connection with respect for human rights is assessed annually as part of the compliance reporting. If material risks are identified within the Baloise organisation or in the supply chain, suitable measures must be taken in response, whether this be taking steps to ensure compliance or terminating a supplier relationship. An independent function in the Company (Compliance, Internal Audit) oversees implementation of the measures. Our independent system for reporting violations is also available for reporting human rights concerns.

Due diligence obligations regarding minerals and metals from conflict areas and child labor

Our policies and processes also include audit procedures in accordance with 'Section Eight: Due Diligence and Transparency with respect to Minerals and Metals from Conflict-Affected Areas and Child Labor' of the Swiss Code of Obligations and the corresponding Enforcement Ordinance on Due Diligence and Transparency with respect to Minerals and Metals from Conflict-Affected Areas and Child Labor. The audit revealed that Baloise neither imports nor processes minerals and metals from conflict areas. The risk-based suspicion check for child labor also revealed no reasonable grounds for suspicion. Baloise is therefore not subject to the corresponding further-reaching statutory due diligence and reporting obligations.

Further information:
www.baloise.com/compliance
www.baloise.com/code-of-conduct
www.baloise.com/privacy-policy
www.baloise.com/policy-bribery-corruption
https://baloise.integrityplatform.org
www.baloise.com/sustainability (compliance standards and investment policies)

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How we create value for our partners

Measures

- Establishing and expanding an intelligent network of partners (innovation partners, start-ups, outsourcing partners, suppliers, brokers and agents)
- Measuring the Net Promoter Score (NPS) and the satisfaction of brokers with Baloise at regular intervals
- 'We believe in partnership' is one of the three principles underpinning our brand values, which provide us with guidance on how we should act
- Maintaining a dialogue with suppliers on the subject of sustainability, including the imposition of the vendor code of conduct
- Signing up to the Principles for Responsible Investment (PRI) in 2018 and the Principles for Sustainable Insurance (UNEP FI PSI) in 2020 and supporting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) since 2020
- Becoming a partner of the Swiss Climate Foundation with a seat on the advisory council

Effectiveness of the measures

- Knowledge is shared among the partners in Baloise's network, which increases their collective success
- NPS results, satisfaction measurements and other dialogue outcomes inform our collaboration with brokers
- Collaboration with suppliers to ensure sustainability along the supply chain
- Promotion of the implementation of global principles and industry-specific standards
- Provision of, and support for, innovative sustainability solutions that contribute to the green transformation of the economy and a sustainable lifestyle

Key performance indicators

Regular measurement of the Net Promoter Score (NPS) and brokers' satisfaction with Baloise gives us an indication of how effective our systematic maintenance of partnerships is. The impact of funding for partner initiatives, key figures for the introduction of procurement guidelines and external accolades round off the indicators for measuring the effectiveness of our initiatives.

How we create value for our partners

As part of our value creation process, we draw on a network of partners that help us to implement our business model and value creation model even more effectively. Our 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 thus creates added value for everyone involved by increasing collective success. This pooling of expertise enables Baloise to offer its customers new, innovative products that are tailored to their needs.

First and foremost are the partnerships in our core business that create value for our stakeholders, especially our customers. We see ourselves not just as a business but as an organisation that, along with its partners, has a responsibility to promote awareness of social, environmental and corporate governance aspects in society and the wider business community. We therefore form partnerships outside our core areas of activity.

Partnerships in our core business

One of the strands of the strategy in our core business is to team up with strong partners, the focus being on creating added value for customers, developing new solutions and raising efficiency. In doing so, we try to offer customers access to services where this will provide the greatest benefit and, at the same time, will result in value-adding synergies for our partners and for us. The most evident example of this is our business model of operating as an insurer and bank in Switzerland, where we are able to offer banking, insurance and asset management services from a single source thanks to close collaboration. In the insurance business,

we have forged long-standing partnerships under which our services are embedded into the partner's own product range. For example, we work with Ford Motor Company SA (Ford importer for Switzerland) to sell motor vehicle insurance products under the 'Ford Autoversicherung' brand at the approximately 200 official Ford outlets in Switzerland. This exclusive partnership between Ford Motor Company and Baloise dates back to 2005. Since July 2023, the official dealerships have been able to easily integrate the insurance premiums into customers' monthly lease instalments. We also have a long-term partnership with Touring Club Switzerland (TCS) and many other providers of services that complement our own product range. In addition, we work with a whole host of partners in our business customer activities, allowing us to offer a broad spectrum of products and services for SMEs. We have stepped up our long-standing partnership with the founders' portal Fasoon, which means we can now act as the exclusive insurance partner for people starting up a business. Furthermore, we have launched a strategic industry partnership with the SME-oriented procurement portal Gryps, which will help us to continue signing up new business customers in the years ahead.
www.baloise.ch/de/ueber-uns/partner/kooperation

In Germany, we worked with brokers in the pension business to develop Baloise Best Invest, a new unit-linked policy. This resulted in Baloise Germany notching up its greatest ever success for pension business in sales of life insurance through brokers in 2023. The collaborative approach to product development also created a tangible benefit for customers, especially in terms of value for money. This was also the conclusion reached by the expert panels of judges at the publications 'Mein Geld' and 'Versicherungsmagazin', who singled us out for the German Insurance Award (for innovation in life insurance) and for the Innovation Prize respectively.
www.baloise.de/de/ueber-uns/partner

Broker satisfaction

In Belgium and Germany, brokers who work with us are asked about their satisfaction at least once a year as part of the NPS programme. The survey is being expanded in Belgium, with the satisfaction KPIs being extended. This means that we are continuing with the NPS programme using a number of measures of broker satisfaction. The NPS is measured every quarter, complemented by annual benchmarking of competitors. In Germany, not only brokers but also tied agents are surveyed annually about their satisfaction and on an ad hoc basis concerning specific matters. In one of the most respected NPS/broker surveys in the German market, Baloise is ranked second for property insurance sales. A satisfaction survey is also carried out in Switzerland to ascertain brokers' views.

Corporate management partnerships

We pursue a sustainable approach as regards purchasing goods and using resources. Our code of conduct for vendors therefore requires the services provided by third parties to be based on principles of sustainability. The code was revised in 2022. Since 2023, ESG criteria have formed an integral part of the entire procurement process, from the request for tenders to the selection of suppliers and drafting of contracts. The partnerships with our suppliers, some of which have been in place for many years, are very important, which is why we are helping existing suppliers to implement the vendor code of conduct. We also work with them to find effective solutions to any problems that may arise in the supply chain. The Group-wide purchasing function is rolling out the new purchasing guidelines in Switzerland as part of a pilot project that is mainly focused on suppliers from which we order in large volumes. By the end of 2023, 32 per cent of suppliers had accepted our new purchasing guidelines. We are in discussions with, or waiting for a response from, 58 per cent of suppliers; 10 per cent have rejected them. The reason for rejecting our purchasing guidelines is that these suppliers have their own guidelines that are the same as or more extensive than ours.
www.baloise.com/vendor-code-of-conduct

Partnerships with organisations

Principles for Sustainable Insurance

By signing up to the Principles for Sustainable Insurance (PSI, see also Annual Review page 32), we have undertaken to promote principles of sustainability in society. This global framework also helps us to establish and maintain partnerships. At Baloise, we benefit from the cooperation between the United Nations (UN) and the insurance industry, particularly when it comes to addressing the risks and opportunities in connection with environmental, social and corporate governance matters.

Swiss Climate Foundation

The Swiss Climate Foundation has been supporting SMEs in Switzerland and the Principality of Liechtenstein for 15 years. During this time, more than CHF 37 million has been invested in climate change mitigation. We joined the foundation in 2021 and each year plough the net amount from the CO2 levy redistribution into the foundation. We have two seats on the foundation's advisory board, giving us a say on how investments are allocated. In 2023, Baloise's funding contribution amounted to around CHF 230,000 (2022: CHF 340,000).

Baloise Bank foundation

The foundation was established in 1987 and promotes trade and industry in the Swiss canton of Solothurn. It's InnoPrix, which is endowed with prize money of CHF 25,000, is awarded annually to innovative projects. Since 2009, applications for the award have also been accepted from the neighbouring cantons of Aargau, Baselland and Bern. In recent years, the coveted accolade has increasingly gone to companies that support sustainability in business and society. The winner of the 2023 InnoPrix was the sustainable energy company Apex AG, which is based in Däniken, Solothurn.

Sustainability KPIs – governance

Governance[1]

	Unit	2023	2022	Reference, corporate governance report
Board of Directors[2]				
Independence	%	100	100	Page 36
Average term in post	years	5.0	3.6	Page 36
Diversity on the Board of Directors[2]				
Number of women on the Board of Directors		3	4	Page 36
Proportion of women on the Board of Directors	%	33.3	40.0	Page 36
Average age of the members of the Board of Directors		59	58	Page 35
Remuneration				
Total remuneration of CEO	CHF thousand	1,686.6[3]	2,140.3	Page 64

1 See **www.baloise.com/corporate-governance**.
2 The cut-off date for calculating the key figures is 31 December 2023. Claudia Dill left the Board of Directors on 31 October 2023.
3 Michael Müller took over as Chairman of the Executive Board on 1 July 2023.

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Further 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). They are designed to aid 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 APMs:
- Business volume
- Return on equity (RoE)
- Comprehensive equity
- Combined ratio (CR)
- Present value of new business premium (PVNBP)
- Value of new business (VNB)
- New business margin (NBM)
- Cash remittance
- Total assets under management (AuM)

It should be noted that similarly named APMs published by other companies may be calculated in a different way. The comparability of APMs between companies may therefore be limited. Baloise-specific definitions and information about the use and limitations of the aforementioned alternative performance measures can be found below.

Definitions, usage and limitations

Business volume

Definition and use

The business volume is a measure of the amount of business generated in the reporting period. It comprises the gross premium income from non-life and life insurance recognised during the reporting period and the payments from policyholders in business involving financial contracts and investment-linked life insurance policies.

Limitations

The business volume does not give any indication of the profitability of business. Comparability with other companies is also limited because they use different definitions.

The business volume represents supplementary information that complements the disclosure of insurance revenue pursuant to IFRS 17. Unlike insurance revenue, it includes savings premium components and thus is generally higher for life insurance.

Return on equity (RoE)

Definition and use

Baloise defines return on equity as the profit for the reporting period divided by average equity adjusted for the dividend payment (the average of equity at the start of the reporting period [less the dividend paid] and at the end of the reporting period).

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

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. RoE does not contain any contributions from the contractual service margin (CSM), which is relevant to the life insurance business, nor any contributions from other comprehensive income (OCI). These items are also relevant to the analysis of comprehensive income.

RoE is not available at division or product level.

Comprehensive equity

Definition and use

Baloise defines comprehensive equity as the sum of shareholders' equity (equity before non-controlling interests) and the contractual service margin (CSM) after taxes. One of the reasons why the Baloise Group uses comprehensive equity as a performance measure is that, unlike group equity, it includes expected future profits from the life insurance business and thus provides a more complete picture of the carrying amount of an insurance company.

Limitations

The usefulness of this performance measure is limited because, for example, the contractual service margin (CSM) is calculated on the basis of assumptions. The calculation rules for the CSM depend on the measurement approach (VFA or GMM) used for the underlying business. There is no CSM for the premium allocation approach (PAA).
Comprehensive equity is not available at division or product level.

Combined ratio (CR)

Definition and use

The Baloise Group uses the combined ratio to gauge the profitability of underwriting in the non-life insurance business. The combined ratio is the sum of insurance service expenses and net reinsurance income/expense divided by insurance revenue.

This means that costs not directly attributable to the insurance contracts are not included in the combined ratio. The combined ratio thus expresses the purely operational profitability of the non-life insurance business.

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 loss ratio and the expense ratio.

The loss ratio represents claims and insurance benefits (net, i.e. including net reinsurance income/expense) divided by insurance revenue. It therefore expresses the percentage of insurance revenue that is used for the settlement of claims.

The expense ratio represents the insurance acquisition cash flows and administrative expenses included in insurance service expenses relative to insurance revenue. It thus expresses the proportion of insurance revenue that is needed to cover the insurance service 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.

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. In addition, comparability with other companies is limited, because they use different definitions.

Present value of new business premiums (PVNBP)

Definition and use

The present value of new business premiums is a performance measure used in the life segment that shows the present value of all premium payments expected to be received from new business over the likely term of the contracts. Baloise calculates the PVNBP from the sum of the present values of future premiums in the reporting period from new business involving IFRS 17 contracts, from new follow-on contracts in the Swiss group life business and from new financial contracts business. Discounting is based on the IFRS 17 discount rates (risk-free discount rates including an adjustment for illiquidity).

Limitations

There are further restrictions resulting from the assumptions (e.g. lapse rates, biometric assumptions) that are necessary for the projection of future premium payments. In addition, comparability with other companies is limited, partly because they define new business differently.

Value of new business (VNB)

Definition and use

The value of new business 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 derived from IFRS-based performance measures and is calculated from the contractual service margin (CSM) for new business. This figure is adjusted for any loss component and the value of IFRS 9 new business. It is thus a measure of expected future profit from new business. The calculation involves forecasting lapses, mortality, disability and expenses up to the end date of insurance contracts, using the latest capital market data and best estimates.

Limitations
Future profits are estimates based on assumptions and may therefore differ from the profits actually generated in the future. They are calculated using IFRS 17 discount rates (risk-free discount rates including an adjustment for illiquidity) 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. Comparability with other companies is limited because they use different definitions and assumptions.

New business margin (NBM)
Definition and use
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) in the reporting period divided by the present value of new business premiums (PVNBP).

Limitations
As the new business margin is calculated from the value of new business and the present value of new business premiums, its usefulness is subject to the same limitations as those measures.

Cash remittance
Definition and use
Cash remittance is a performance measure for cash generation. It includes all dividends paid by subsidiaries to the holding company, including contributions from interest payments on loans. Cash remittance is the main basis for the income that is used for dividends paid by Baloise Holding. The dividend payments are recognised and disclosed in the financial statements prepared in accordance with local accounting standards. In addition, cash remittance is used to cover expenses at the level of the holding company. Such expenses include interest expense for the outstanding bonds of Baloise Holding Ltd.

Limitations
Cash remittance may be higher or lower than the IFRS profit for the period reported by an entity. The composition and definition of cash remittance may vary from company to company. Further differences may arise in the comparison due to the timing of the recognition of cash remittance.

Total assets under management (AuM)
Definition and use
The assets under management are all 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 the Baloise's 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, exchange-rate effects, and the effects of consolidation and deconsolidation.

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 in the reporting period.

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.

Baloise
"Baloise" stands for "the Baloise Group", and "Baloise Holding" means "Baloise Holding Ltd". Baloise shares are the shares of Baloise 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.

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 ratio of net claims incurred to insurance revenue, expressed as a percentage.

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 net claims incurred (loss ratio) and costs (expense ratio) expressed as a percentage of insurance revenue. This ratio is used to gauge the profitability of non-life insurance business.

Contractual service margin (CSM)
Represents the unearned profit of a group of insurance contracts that an entity will recognise as it provides insurance contract services in the future.

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.

Expected credit loss (ECL)
The credit losses expected according to the principles of IFRS 9 for financial instruments measured at amortised cost (AC) or at fair value through other comprehensive income (FVOCI).

Expense ratio
A ratio of the costs of non-life insurance business to insurance revenue, expressed as a percentage.

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.

Insurance revenue
Amount that reflects the consideration to which an insurance company expects to be entitled in exchange for the provision of services under insurance contracts.

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 debt), mortgage assets, policy loans and other loans, derivative financial instruments, 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.

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 volume of new business.

Operating segments
Similar or related business activities are grouped together in operating segments. The Baloise Group's operating segments are Non-Life, Life, Asset Management & Banking, 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.

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 the share of profit attributable to non-controlling interests. The profit attributable to shareholders is the profit after taxes excluding the share of profit attributable to non-controlling interests.

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 (RoE)
A calculation of the percentage return earned on a company's equity capital during the reporting period; it represents the profit generated in a given reporting period divided by the company's average equity during that period.

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 par value gives the company's 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 taxes.

Value of new business
The value added by new business transacted during the reporting period.

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Information on the Baloise Group

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. The 2023Annual Report and Annual Review is also available in German. Only the German text is legally binding. The Financial Report contains the audited 2023 annual financial statements together with detailed information. The Annual Report contains all of the elements that, in accordance with Art. 961c of the Swiss Code of Obligations, make up the management report. Amounts and ratios shown in the Annual Report and Annual Review 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 2023 Annual Report and Annual Review will be available from 26 March 2024 onthe 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 an financial analysts
Detailed information and data on Baloise shares, the IR agenda, the latest presentations and how to contact the Investor Relations team can be found on the internet at **www.baloise.com/investors**

This information is available in German and English.

Information for members of the media
You will find the latest media releases, presentations, reports, images and podcasts of various Baloise events as well as media contact details at **www.baloise.com/media**

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Financial calendar and contacts

26 April 2024
Annual General Meeting
Baloise Holding Ltd

12 September 2024
Half-year financial results
Publication of the 2024 half-year report
Conference call for analysts and the media

12 September 2024
Investor Update

20 November 2024
Q3 interim statement

25 March 2025
Annual financial results
Publication of the 2024 annual report and annual review
Media conference
Conference call for analysts

25 April 2025
Annual General Meeting
Baloise Holding Ltd

www.baloise.com/calendar

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