IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-US PERSONS AND ADDRESSEES OUTSIDE OF THE US

IMPORTANT: You must read the following before continuing. The following disclaimer applies to the attached Prospectus accessed via internet or otherwise received as a result of such access and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached Prospectus. In accessing the attached Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT''), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND, SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT).

THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to review this Prospectus or make an investment decision with respect to the securities described herein, investors must not be a US Person (as defined in Regulation S under the Securities Act). You have been sent the attached Prospectus on the basis that you have confirmed to UBS Investment Bank, being the sender of the attached, (i) that you and any customers that you represent are not US Persons, (ii) that the electronic mail (or e-mail) address to which it has been delivered is not located in the United States of America, its territories and possessions, any State of the United States or the District of Columbia (where "possessions'' include Puerto Rico, the US Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) and (iii) that you consent to delivery by electronic transmission.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. Also, there are restrictions on the distribution of the attached Prospectus and/or the offer or sale of Notes in the member states of the European Economic Area. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction. The Prospectus may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of UBS Investment Bank, the Syndicate Banks or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from UBS Investment Bank, if lawful.

Baloise Life Ltd

CHF 200,000,000 callable subordinated capital securities due 2048 (the "Bonds") unconditionally and irrevocably guaranteed on a subordinated basis by Bâloise Holding Ltd, Basel

Issuer	Baloise Life Ltd, Aeschengraben 21, 4002 Basel, Switzerland (the "**Issuer**").
Guarantor	Bâloise Holding Ltd, Aeschengraben 21, 4002 Basel, Switzerland (the "**Guarantor**").
Interest Rate	The Bonds bear interest on their principal amount (i) at a fixed interest rate of 2.20% per annum from (and including) the Issue Date to (but excluding) the First Call Date, payable for the first time on 19 June 2018 (first short coupon) and thereafter annually in arrears on 19 June in each year, for the last time on the First Call Date, and thereafter (ii) at the Subsequent Fixed Interest Rate for each Subsequent Fixed Interest Rate Period as determined by the Principal Paying Agent in accordance with Condition III 1.2 of the Terms of the Bonds, payable annually in arrears. Each Interest Payment Date is subject to the business day convention set forth in Condition III 6 of the Terms of the Bonds.
Deferral of Interest	Interest payments on the Bonds are deferrable (i) at the option of the Issuer at all times and (ii) mandatorily upon occurrence of a Solvency Event as further described in Condition III 3 of the Terms of the Bonds, subject to accumulation in accordance with the Terms of the Bonds. Notwithstanding the foregoing, payment of interest will be mandatory on any Compulsory Interest Payment Date.
Assurances	*Pari passu* clause.
Issue Price	The Managers have purchased the Bonds at the price of 100% of the nominal amount (before commissions).
Placement Price	The placement price will be fixed in accordance with supply and demand.
Form of Bonds/Delivery	The Bonds are issued as uncertificated securities (*Wertrechte*) in accordance with article 973c of the Swiss Code of Obligations and, upon registration in the main register (*Hauptregister*), will constitute intermediated securities (*Bucheffekten*); Bondholders are not entitled to request the delivery of individually certificated Bonds.
Denominations	CHF 5,000 nominal and multiples thereof.
Issue Date	19 September 2017
Redemption	If on or prior to 19 June 2048 no Solvency Event has occurred and is continuing, the Issuer shall redeem the Bonds on such date. Bondholders do not have the right to call the Bonds for their redemption. No acceleration remedy exists in case of payment default other than in bankruptcy or insolvency.
Issuer's Call Option	Issuer's call option, for the first time exercisable as of the First Call Date, and thereafter as of any Interest Payment Date. In addition, the Issuer may redeem the Bonds upon occurrence of a Special Redemption Event in accordance with the Terms of the Bonds.
Reopening	The Issuer reserves the right to reopen the Bonds and increase the aggregate principal amount of the Bonds issued at any time and without prior consultation of or permission of the Bondholders.
Status	The Bonds constitute direct, unconditional and subordinated obligations of the Issuer.
Security	Unconditionally and irrevocably guaranteed by the Guarantor on a subordinated basis pursuant to article 111 of the Swiss Code of Obligations and in accordance with Condition IX of the Terms of the Bonds.
Governing Law and Jurisdiction	Swiss law, place of jurisdiction will be Zurich.
Selling Restrictions	In particular United States and U.S. Persons, United Kingdom and European Economic Area.
Listing and Trading	The Bonds have been provisionally admitted to trading on the SIX Swiss Exchange Ltd (the "**SIX**") as of 15 September 2017 and application will be made for the Bonds to be listed on the SIX (the "**Listing**"). The last trading day is expected to be the second Business Day prior to the relevant redemption date.
Rating	Bonds are expected to be rated BBB+ by Standard & Poor's.

Sole Structuring Advisor and Sole Bookrunner

UBS Investment Bank

Joint Lead Managers

Credit Suisse UBS Investment Bank Zürcher Kantonalbank

Co-Manager

Basler Kantonalbank

Swiss Security No.: 37'961'100 ISIN: CH0379611004 Common Code: 168653751

Prospectus dated
15 September 2017

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SELLING RESTRICTIONS

The offering of the Bonds consists of a public offering in Switzerland (the "**Offering**"). The Bonds are not being offered to the public in other jurisdictions outside of Switzerland, such as the United States or member states of the European Economic Area.

General

No action has been or will be taken in any jurisdiction other than Switzerland, by the Issuer or the Managers that would, or is intended to, permit a public offering of the Bonds, or possession or distribution of this prospectus (the "**Prospectus**") or any other offering material, in any country or jurisdiction where action for that purpose is required.

The Bonds are only to be offered or sold by the Managers and any offering material or other communication relating to the distribution of the Bonds is only to be distributed as far as such offer or sale or such distribution is to their knowledge and belief consistent with the applicable law of any territory and the selling restrictions set out above.

Each prospective investor must comply with all applicable laws, rules and regulations in force in any jurisdiction in which it purchases, offers or sells Bonds or possesses or distributes the Prospectus and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Issuer or the Managers shall have any responsibility therefore.

United States of America and United States Persons

A) The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States of America (the "**United States**") except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Managers have not offered or sold, and will not offer or sell, any Bonds constituting part of their allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act.

Accordingly, none of the Issuer, the Managers and their affiliates nor any persons acting on their behalf have engaged or will engage in any selling efforts directed to the United States with respect to the Bonds.

Terms used in this paragraph have the meanings given to them by Regulation S.

B) The Managers have not entered and will not enter into any contractual arrangement with respect to the distribution or delivery of the Bonds, except with their affiliates or with the prior written consent of the Issuer.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Manager has represented and agreed that it has not offered and will not offer any Bonds to persons in any Member State of the European Economic Area, except that it may offer Bonds in any Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Manager nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds referred to in (a) to (c) above shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "offer of Bonds" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" meaning Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and including any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

IMPORTANT INFORMATION

This Prospectus is being issued by Baloise Life Ltd and by Bâloise Holding Ltd solely in connection with the Offering and Listing of the Bonds. The information contained in this Prospectus has been provided by Baloise Life Ltd and by Bâloise Holding Ltd and by the other sources identified in this Prospectus. No representation or warranty, express or implied, is made by Baloise Life Ltd, by Bâloise Holding Ltd or any of their respective affiliates or advisors as to the accuracy or completeness of this information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by Baloise Life Ltd and by Bâloise Holding Ltd.

This Prospectus has been prepared solely for use in connection with the Offering and Listing of the Bonds. This Prospectus does not otherwise constitute an offer to sell, or a solicitation of an offer to buy Bonds and may not be used in any jurisdiction or in any circumstances in which such offer or solicitation or the distribution of the Bonds or this Prospectus is restricted or unlawful. Persons in possession of this Prospectus are required to inform themselves of and observe such restrictions. Baloise Life Ltd and Bâloise Holding Ltd do not accept any responsibility for any violation by any person of any such restrictions. Except as otherwise indicated, this Prospectus speaks as of the date hereof. The delivery of this Prospectus shall, under no circumstances, imply that there has been no change in the affairs of Baloise Life Ltd and Bâloise Holding Ltd or their affiliates or that the information herein is correct as of any date subsequent to the earlier of the date of this Prospectus and any specified date with respect to such information. Baloise Life Ltd's and Bâloise Holding Ltd's business, financial condition, results of operations and prospects may have changed since such dates.

GENERAL INFORMATION

Cautionary Note on Forward-Looking Statements

Certain statements contained in this Prospectus are forward-looking. These statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact. Forward-looking statements typically are identified by words or phrases such as "anticipate", "assume", "believe", "continue", "estimate", "target", "expect", "foresee", "intend", "may increase" and "may fluctuate" and similar expressions or by future or conditional verbs such as "will", "should", "would" and "could". These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Issuer's or the Guarantor's actual results of operations, their financial condition, solvency, ratios, liquidity position or prospects to be materially different from any future results of operations, financial condition, solvency ratios, liquidity position or prospects expressed or implied by such statements. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Prospectus.

Key factors that have a direct bearing on the Issuer's, the Guarantor's or the Guarantor's other direct and indirect subsidiaries' (the Issuer, the Guarantor and the Guarantor's other direct and indirect subsidiaries taken as a whole the "**Baloise Group**") results of operations, financial condition, solvency ratios, liquidity position or prospects include:

- deterioration in global economic conditions;
- instability affecting the global financial system and developments related thereto;
- the effect of capital market conditions, including the global credit and equity markets, and the level and volatility of interest rates, credit spreads, equity prices, currency values and other market indices as well as the development of real estate prices on investment assets;
- changes in investment result as a result of changes in investment policy or the changed composition of investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing assets and liabilities;
- possible inability to realise amounts on sales of assets held on the balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- the possibility that hedging arrangements may not be effective;
- the lowering, loss of or change in the outlook for one of the financial strength or other ratings of one or more Baloise Group companies, and developments adversely affecting Baloise Group's ability to achieve improved ratings;
- the ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recaptures of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to an actual or perceived deterioration of the financial strength or otherwise;
- uncertainties in estimating reserves;
- current, pending and future legislation and regulation including tax and regulatory laws affecting Baloise Group;
- changes in laws and regulations (including tax law and industry requirements or business conduct rules of general applicability) and their interpretation by courts, regulators and other authorities;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- uncertainties in estimating future claims for purposes of financial reporting; in particular the frequency, severity and development of insured claim events;
- mortality, morbidity and longevity assumptions;
- policy renewal and lapse rates;

- extraordinary events affecting clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- acts of terrorism and acts of war;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition;
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks; and
- weather related and man-made catastrophes related large losses, extraordinary claims inflation (*Schadenkosteninflation*) or general large losses resulting out of the underwriting within the non-life business.

See "*RISK FACTORS*" for additional details.

These factors are not exhaustive. Because these factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by or on behalf of the Issuer, the Guarantor or any other member of Baloise Group, investors should not place undue reliance on any of these forward-looking statements. Further, any forward-looking statement speaks only as of the date of this Prospectus. Except as may be required by applicable law, stock exchange rules or regulations, the Issuer, the Guarantor and any other member of Baloise Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Baloise Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. New factors emerge from time to time, and it is not possible to predict which will arise. In addition, neither the Issuer, nor the Guarantor or any other member of Baloise Group can assess the effect of each factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statement.

Documents Incorporated by Reference

No documents are incorporated by reference to this Prospectus. No information contained on Baloise Group's web site, or on any other web site, is incorporated herein by reference.

Availability of Documents

Copies of the Prospectus are available free of charge from UBS AG, Investment Bank, Swiss Prospectus Switzerland, P.O. Box, CH-8098 Zurich, Switzerland, or may be obtained by telephone (+41 44 239 47 03, voicemail), by fax (+41 44 239 69 14) or by e-mail to swiss-prospectus@ubs.com.

Copies of the consolidated financial statements of Baloise Group as of and for the year ended 31 December 2016 (including the respective auditor's report and comparative information for the year ended 31 December 2015) can be downloaded from the website www.baloise.com, following the link to About us, In a nutshell, Downloads, Annual Report.

Prospectus

This Prospectus is available in English language only and provides information about the Issuer, the Guarantor and the Bonds. This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Bonds.

No person has been authorised to give any information or make any representation in connection with the offering of the Bonds other than as stated herein and any other information or representation if given or made should not be relied upon as having been authorised by the Issuer, the Guarantor, any other member of

Baloise Group or the Managers. Neither the delivery of this Prospectus, nor the issue of the Bonds or any sale thereof shall, in any circumstances, create any implication that there has been no material adverse change in the affairs of the Issuer, the Guarantor or any other member of Baloise Group since the date hereof.

Sources of Information

Except where market or market share data are otherwise attributed to a specific source, all market and market share data included in this Prospectus reflects the Issuer's and the Guarantor's own estimates. These estimates are based upon their experience in the insurance business.

Authorisations

The issuance of the Bonds has been authorised by resolutions of the Board of Directors of the Issuer passed on 24 August 2017. The issuance of the Guarantee has been authorised by resolutions of the Guarantor passed on 24 August 2017.

Type of Issuance

Pursuant to a bond purchase agreement between UBS AG, Credit Suisse AG, Zürcher Kantonalbank and Basler Kantonalbank (collectively the "**Managers**"), the Issuer and the Guarantor (the "**Bond Purchase and Paying Agency Agreement**"), the Managers have severally but not jointly agreed to purchase the Bonds at an issue price of 100% (minus commissions).

Notices

All notices in relation to the Notes will be published in electronic form on the internet site of the SIX Swiss Exchange under the section headed Official Notices (https://www.six-exchange-regulation.com/en/home/publications/official-notices.html).

Representative

In accordance with Article 43 of the Listing Rules of the SIX Swiss Exchange, UBS AG has been appointed by the Issuer as representative to lodge the listing application with the SIX Swiss Exchange.

No Material Change

Since the publication date of the latest financial statements as reflected in this Prospectus, there has been no material change in the assets and liabilities, financial position and profits of losses of the Issuer or the Guarantor.

RISK FACTORS

An investment in the Bonds involves risks. Prospective investors of Bonds should carefully consider the following risk factors and the other information in this Prospectus before making an investment decision. Any of the risk factors could impact the business, financial conditions or operating results of the Issuer, the Guarantor and Baloise Group taken as a whole. Investors may lose all or part of their investment.

The Issuer and the Guarantor believe that the following factors may affect their respective ability to fulfil their respective obligations under the Bonds and the Guarantee. All of the factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood or severity of any such contingency occurring. Factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with the Bonds issued are also described below.

The Issuer and the Guarantor believe that the factors described below represent the main risks inherent in investing in the Bonds, but the Issuer and, under the Guarantee, the Guarantor may be unable to pay interest in connection with the Bonds for other reasons and neither the Issuer nor the Guarantor or any other member of Baloise Group represents that the statements below regarding the risks of holding the Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Risks related to Baloise Group

Market and business related risks

Risks from general economic conditions and global financial markets

The performance of Baloise Group and its operating subsidiaries has been and will continue to be influenced by the economic conditions of the countries in which it operates. Many of these countries have experienced economic downturns in the past and could re-experience such conditions in the near to medium term. Such conditions have resulted and may result in a reduction in demand for Baloise Group's products as well as a reduction in the value of its assets. Baloise Group also may experience a higher incidence of claims and lapses or surrenders of policies. Baloise Group's policyholders may choose to defer or stop paying insurance premiums. Baloise Group cannot predict whether or when such actions, which could impact the business, financial condition and/or results of operations, may occur.

Baloise Group's business, its results of operations and/or its financial condition may be materially affected from time to time by general economic conditions, such as levels of employment, consumer lending or inflation in the countries in which Baloise Group operates.

The realisation of any of the aforementioned risks could have material adverse effects on Baloise Group's business, financial condition and results of operations.

Risks from changing market conditions in the insurance industry

Businesses in the financial services sector are affected by changing general market conditions which are outside the control of Baloise Group and which can cause the results and value of Baloise Group's businesses to fluctuate from year to year, as well as on a long-term basis, in ways that may be unpredictable.

These conditions include economic cycles such as insurance industry cycles, particularly with respect to non-life insurance, financial market cycles, including volatile movements in market prices for securities, and banking industry cycles. The non-life insurance industry cycles are characterised by periods of price competition, fluctuations in underwriting results and the occurrence of unpredictable weather related and man-made catastrophes related large losses as well as other losses. Other factors which impact the business and economic environment and businesses in the financial services sector include fluctuations in interest rates and exchange rates, consumer spending, business investment, the real estate market, the volatility and strength of the capital markets, catastrophic events, terrorism and other acts of war and the governmental and political developments relating to the foregoing, as well as social or political instability, diplomatic relations and international conflicts.

Adverse and extreme developments of the kind experienced in the recent market dislocation and turmoil have affected the financial services sector in a number of ways and may have further adverse effects on the financial services sector in the future. Such effects may include: (i) a general reduction in business activity and market volumes which affects fees, commissions and margins from market-making and customer-driven transactions and activities; (ii) market downturns which are likely to reduce the volume and valuations of assets managed on behalf of clients, reducing asset and performance-based fees; (iii) reduced market liquidity, limiting trading and arbitrage opportunities and impeding a company's ability to manage risks, impacting both trading income and performance-based fees; (iv) assets a company holds for its own account as trading positions could continue to fall in value; and (v) impairments and defaults on credit exposures and on trading and investment positions could increase, and losses may be exacerbated by falling collateral values.

The realisation of any of the aforementioned risks could have material adverse effects on Baloise Group's business, financial condition and results of operations.

Risks from insurance business

Baloise Group maintains reserves for its insurance business to cover its liabilities. Such insurance reserves depend on various factors, assumptions and uncertainties (see "*Risks associated with Baloise Group's calculations and assumptions*"). While Baloise Group believes its economic risk is reduced by the matching of durations of assets and liabilities under its asset and liability management ("**ALM**"), mandatory, guaranteed or other applicable interest rates may not change in line with market yields and may result in sudden changes in the reported amounts even if there was no corresponding change in investment yields and the value of assets. Moreover, changes in mortality, morbidity, longevity and other biometric assumptions may have a significant impact on annuity and other reserves. Loss reserves also do not represent an exact calculation of ultimate liabilities, but rather are estimates of the expected liabilities. Furthermore, technical reserves depend on regulatory requirements as well as other factors, which may cause actual liabilities to differ from estimates. Likewise, technical reserves may change significantly due to regulatory and legal changes and other factors.

Any insufficiencies in loss reserves for future claims and any change in reserves required as a result of changes in interest rates, biometric assumptions, weather related and man-made catastrophes related large losses, claims inflation (*Schadenkosteninflation*), legal changes or other factors including regulatory changes could adversely affect the extent to which new business may be originated and could have material adverse effects on Baloise Group's business, financial condition and results of operations.

Risks from ceded reinsurance

Baloise Group systematically transfers its exposure to certain risks in its life, health and property and casualty insurance business to third parties through reinsurance arrangements. Under these arrangements, other (re)insurers assume a portion of Baloise Group's losses and expenses associated with reported and unreported losses in exchange for a portion of policy premiums.

The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly from time to time. Any decrease in the amount of Baloise Group's ceded reinsurance will increase its risk of losses. When it obtains reinsurance, Baloise Group could still be liable for those transferred risks, in particular if the reinsurer cannot meet its obligations. Accordingly, Baloise Group bears credit risk with respect to its reinsurers and could be faced with their inability or unwillingness to meet their financial obligations when falling due. Although Baloise Group conducts periodic reviews of the financial statements and reputations of its reinsurers, and, when appropriate, requires letters of credit, deposits or other financial collaterals to further minimise its credit risk exposure, reinsurers may become financially unsound by the time they are called upon to pay amounts due under the reinsurance contracts with Baloise Group.

If the terms and conditions of such reinsurance contracts deteriorate in the future, if certain protection layers are no longer available on the market, or if individual reinsurers should become unable or unwilling to meet their payment obligations when falling due, this could have material adverse effects on Baloise Group's business, financial condition and results of operations.

Risks associated with Baloise Group's calculations and assumptions

Baloise Group's business operations and risk management require complex models under which it needs to properly reflect the value of its business and an adequate allowance for risks associated with it. This includes a constant assessment of numerous factors, such as the long-term development of interest rates, investment returns, the allocation of investments between equity, fixed income and other categories, policyholder interest and crediting rates (some of which are guaranteed) and the overall approach to policyholder participation, mortality, morbidity and longevity, claims inflation (*Schadenkosteninflation*) and claims frequency development, rates, policyholder lapses and future expense levels. Baloise Group monitors the accuracy of its assumptions and continuously refines its long-term assumptions.

The actuarial practices and assumptions listed above are, among other factors, the basis for (i) Baloise Group embedded value calculations in accordance with the Market Consistent Embedded Value ("**MCEV**") Principles published by the European Insurance CFO Forum, (ii) its "best estimate" actuarial assumptions under the IFRS liability adequacy testing, (iii) capital and other requirements under the Swiss Solvency Test ("**SST**") or Solvency II, (iv) the calculation of insurance premiums and reserves, and (v) Baloise Group's own pension obligations.

In any of the aforementioned cases Baloise Group needs to rely on its own assumptions and estimates when operating its risk analysis and risk management systems. The assumptions used may differ from actual developments in the future. Adjustments in such assumptions may have to be made in reaction to revised legal and regulatory requirements, changing financial markets or expected future actuarial experience, which may lead to changes in the MCEV and the solvency position as well as the accounting of, and reserves required for, Baloise Group's insurance operations.

Certain risks are non-hedgeable and even with hedgeable risks there is a residual risk that hedging arrangements concluded by Baloise Group do not or only partially cover such risks.

Furthermore, Baloise Group could experience that its initial risk assessment, risk allowance or reserves prove to be inadequate at a later stage.

The realisation of any of the aforementioned risks could have material adverse effects on Baloise Group's business, financial condition and results of operations.

Risks associated with the implementation of Baloise Group's strategy

The achievement of Baloise Group's strategic, operational and financial targets remains subject to uncertainty. Whilst the objectives for growth are subject to fluctuations in demand for insurance protection and competition, the ability to achieve a satisfactory performance in respect of the basic insurance result depends on pricing, the ability to control costs, claims figures, changes in reserves and the ability to generate insurance-related fee income. In addition to the basic insurance result, the investment result is an important factor in the profitability of Baloise Group's insurance operations. This result is driven by the returns achieved on the investment portfolio, which partially depends on capital markets conditions, and – with respect to the life insurance business – on the guaranteed and non-guaranteed payments made to policyholders.

Besides the insurance business, Baloise Group aims to generate fee income through its advisory activities. The ability to generate such income depends on factors including quality of advisory, the ability to recruit advisors, reputation and the general economic conditions.

Furthermore, mergers, acquisitions, disposals and management re-organisations may result in Baloise Group incurring costs and using considerable management resources. It is also possible that, as a result of any past or future mergers, acquisitions and disposals, Baloise Group may be subject to warranty, indemnity or other claims or to adverse tax or accounting charges.

The realisation of any of the aforementioned risks could have material adverse effects on Baloise Group's business, financial condition and results of operations.

Risks associated with the failure to maintain the value of the "Baloise Group" brand

One of the most valuable assets of Baloise Group is the "Baloise Group" brand. The continued strength and recognition of Baloise Group's brand is a key factor in maintaining Baloise Group's competitive position. Baloise Group's brand could be harmed if its public image or reputation were to be tarnished by negative publicity or negative sentiments expressed in any media coverage, in social media or elsewhere on the Internet, whether or not true, about Baloise Group or the insurance or financial services industry in general, or by a negative perception of Baloise Group's short-term or long-term financial prospects. Failure to maintain the value of Baloise Group's brand could have material adverse effects on Baloise Group's business, financial condition and results of operations.

Risks of competition and risks of general distress in the insurance market

Baloise Group operates in selected European markets (Switzerland, Germany, Belgium and Luxembourg). It faces a very competitive environment in all these markets. Baloise Group's profitability is generally dependent on the level of demand for its products and services as a whole, and on its ability to control its risk profile and operating costs. While an important factor lies in Baloise Group's ability to offer competitive and attractive products and services, demand and competition in these markets are subject to changes in response to political or regulatory developments, general economic conditions, and other market conditions beyond the control of Baloise Group. As a consequence, Baloise Group may face margin or volume declines in the future.

In addition, individual regional and local competitive factors could in the future change to Baloise Group's disadvantage, significantly intensifying competition in certain regions or countries.

The realisation of any of the aforementioned risks could have material adverse effects on Baloise Group's business, financial condition and results of operations.

In addition, the implementation of Baloise Group's strategy as well as its operational and financial performance depend on the general conditions of the insurance industry. As a consequence, the deterioration of the insurance industry conditions, for instance, due to sustained low or even negative interest rate levels, a change of the regulatory environment or a general distrust against the industry may have material adverse effects on Baloise Group's business, financial condition and results of operations.

Risks of unpredictable political, macro-economic and demographic influences

Baloise Group's future financial condition and results of operations, developments in its business, growth and profitability, and general industry and business conditions applicable to it may be adversely affected by unpredictable political, macro-economic and demographic influences.

In light of economic conditions in Europe, there is a possibility of certain Eurozone member states exiting the Eurozone which may cause the collapse of the Euro. A total break-up or an exit of certain member states could lead to a depression with high negative GDP growth, mass unemployment and high volatility of currencies. A collapse of the European banking system as a result of a Euro break-up and a return to operating in a European business environment of multiple currencies would result in significant market dislocation, which would have a negative impact on Baloise Group.

Likewise, macro-economic disruptions can lead to a sudden increase in inflation, which may be followed by surrender rates higher than currently expected or result in a deflationary phase induced by a strong recession, which could harm Baloise Group's ability to achieve the needed investment return and to generate profitable new business.

Any of the foregoing risks could have material adverse effects on Baloise Group's business, financial condition and results of operations.

Hence, the forward-looking statements made in this Prospectus are subject to a number of risks, uncertainties, and assumptions that may cause the actual results, performance or achievements of Baloise Group or those of its industry to be materially different from or worse than those expressed in these forward-looking statements.

Risks related to the occurrence of natural and man-made catastrophes

Portions of Baloise Group's private, commercial, industrial and international insurance cover losses from unpredictable events such as hurricanes, windstorms, hailstorms, earthquakes, fires, industrial explosions, freezes, riots, floods epidemic infectious diseases (flu pandemics) and other man-made or natural disasters. The incidence and severity of these catastrophes in any given period are inherently unpredictable and may have material adverse effects on Baloise Group's business, financial condition and results of operations.

Baloise Group generally seeks to reduce its exposure to these events through the purchase of reinsurance, selective underwriting practices, by monitoring risk accumulation and/or by business continuity planning. However, such efforts to reduce exposure may not be successful and such catastrophes may result in unusually high levels of losses or business interruptions, all of which could have material adverse effects on Baloise Group's business, financial condition and results of operations.

Risks of fluctuations in the financial markets and changes in general economic conditions

Investment returns are an important part of Baloise Group's overall profitability. Fluctuations in the financial markets, changes in interest rates and credit spreads (see "*Risk of interest rate and credit spread rate changes*"), a lack of pricing transparency, reduced market liquidity, changes in equity, fixed income and commodity prices as well as foreign exchange rates, alone or in combination, could have material adverse effects on Baloise Group's financial condition, results of operations and cash flows. Volatility and fluctuations in the financial markets also impact the costs of hedging, which can result in lower investment returns. In addition, a default by a major market participant or a significant act of terrorism or other large-scale events could disrupt the securities markets or clearance and settlement systems in major markets which could in turn cause market declines or increased volatility. The failure of a major market participant could also lead to a chain of defaults that could adversely affect Baloise Group.

Changes in the economic conditions and markets, in particular rising interest rates, could adversely affect the real estate markets, which could have a negative impact on Baloise Group's real estate portfolio. In worsening economic circumstances, which may be driven by global macro-economic developments, domestic economic or political events (e.g. public votes), or other effects, the vacancy rates may increase which reduces the expected future cash inflows from rents accordingly, and hence may lower the valuation of individual properties substantially. Similarly, higher interest rates and an increase in unemployment rates lead to potential defaults of clients and third parties on mortgages.

Fluctuations in stock markets could have an adverse impact on the valuation of Baloise Group's holdings in equities, which could result in a deterioration of Baloise Group's financial position and net income. Declining equity markets may also affect Baloise Group's results of operations, as fees from insurance business on third-party accounts are generally based on the value of the underlying funds, which fluctuate to a large extent with changes in equity markets. Hedges in place with respect to Baloise Group's investments are designed to reduce Baloise Group's economic exposure to declines in asset values but would not prevent an impairment charge in the Issuer's accounts in the event the impairment criteria under the International Financial Reporting Standards ("**IFRS**") were met.

Baloise Group's equity investments are subject, to the extent that they are sold, to the risk that they will be sold for less than their value in Baloise Group's accounts, and that Baloise Group will recognise a loss. To the extent that such equity investments are not sold, and their value decreases, Baloise Group may be required to write-off a portion of the book value of such equity investments through its profit and loss accounting.

Baloise Group's strategic shareholdings, participations, and other intangible assets are subject to regular impairment tests, taking into account their operating performance, as well as general economic conditions and forecasts. Potential valuation readjustments could lead to impairment losses adversely affecting Baloise Group's financial results.

For diversification purposes Baloise Group also holds a certain amount of alternative investments in its portfolio, in particular participations in private equity (including infrastructure investments) and hedge funds. Market volatility has impacted and may continue to impact both the level of net investment income from these types of investments and the ability to dispose of such investments on favourable terms or at all.

Any of the risks mentioned above could have material adverse effects on Baloise Group's business, financial condition and results of operations.

Risks of interest rate and credit spread changes

Changes in prevailing capital market interest rates (including changes in the difference between the levels of prevailing short- and long-term rates) may adversely affect Baloise Group's insurance, asset management and corporate results despite the structured approach towards ALM that Baloise Group is pursuing. Over the past several years, movements in both short- and long-term interest rates have affected the level and timing of recognition of gains and losses on securities held in Baloise Group's investment portfolios. An increase in interest rates could substantially decrease the value of Baloise Group's fixed-income portfolio, and any unexpected change in interest rates could materially adversely affect Baloise Group's bond and interest rate derivative positions as well as the investment result. Results of Baloise Group's asset management business may also be affected by movements in interest rates, as management fees are generally based on the value of assets under management, which fluctuates with changes in the level of interest rates.

In addition, Baloise Group has a significant portfolio of contracts with guaranteed investment returns, including endowment and annuity products. If interest rates remain on historically low levels for a long period, Baloise Group could be required to provide additional funds to its insurance subsidiaries to support their obligations in respect of products with higher guaranteed returns, or increase reserves in respect of such products. Baloise Group also has a portfolio of contracts with guaranteed investment returns tied to equity markets.

Baloise Group invests part of its assets in corporate bonds and is therefore exposed to credit spread risk to the extent that a credit spread widening decreases the market value of the corporate bond portfolio. Spread movements may adversely impact the valuation reserves of bonds classified as available for sale, and therefore Baloise Group's solvency position. From an economic perspective, in particular for economic solvency purposes, all corporate bonds are considered at their market value and thus market value changes due to a change in spreads have an impact on Baloise Group's available economic capital. Moreover, the market value of corporate bonds may become difficult to ascertain if markets are less liquid or lack liquidity which may also affect Baloise Group's ability to dispose of such investments on favourable terms or at all.

In addition, Baloise Group invests a part of its assets in government and sovereign bonds and similar instruments. Therefore, Baloise Group is exposed to the risk that credit spread widens, for instance, due to downgrades or possible downgrades of the respective government or sovereign ratings. Government and sovereign credit spread widening leads to a decrease of the market value of the government and sovereign bond portfolio.

Reductions in the investment income below the rates prevailing at the issue date of the policy, or below the regulatory minimum required rates in countries such as Switzerland, Germany, Belgium and Luxembourg, would reduce or eliminate the investment margins on the life insurance business written by the Guarantor's life-insurance subsidiaries to the extent the duration composition of the assets does not match the duration composition of the insurance obligations they are backing.

In the life-insurance business, rising interest rates could lead to increased surrenders of policyholders with subsequent impacts on Baloise Group's profitability for the current and for subsequent years.

Any of the aforementioned risks could have material adverse effects on Baloise Group's business, financial condition and results of operations.

Currency risks

As a group with international operations, Baloise Group generates a certain portion of its total income and incurs a portion of its expenses in currencies other than CHF, which primarily include EUR and USD. Baloise

Group prepares its consolidated financial statements in CHF. Baloise Group's expenses and income in a certain currency do not necessarily match for any given period. As a result, unfavourable movements in exchange rates between such currencies and CHF may lead to differences between the costs of Baloise Group's operations and the income generated from them at a different stage. Furthermore, there may be currency mismatches between the insurance liabilities and the assets backing them.

Fluctuations in the exchange rates of the currencies of the countries in which Baloise Group operates may generally lead to transaction risks and translation risks. Transaction risk refers to the exchange rate risk associated with the time delay between the entrance and settlement of a contract, while translation risk refers to the risk of a change in value in the currency in which the financial statements are maintained, resulting from the translation of positions in the balance sheet and income statement originally expressed in a foreign currency during the course of consolidation.

Baloise Group may enter into transactions aiming to hedge currency risks. Such transactions may reduce currency risks but may in turn increase other risks such as liquidity risks, counterparty risks and operational risks.

The realisation of any of the aforementioned risks could have material adverse effects on Baloise Group's business, financial condition and results of operations.

Risks of additional capital needs

Baloise Group's capital requirements depend on many factors, including its operational results, capital market conditions, developments of biometrics, general changes in the business mix, the volume of newly generated business, regulatory changes to capital or other requirements such as reserving requirements and other regulatory developments. Baloise Group may be unable to obtain capital in the future or may only obtain it at considerably higher costs, in particular in case of negative rating actions (see "*Risks of rating downgrades and other negative rating actions*"). This could have material adverse effects on Baloise Group's business, financial condition and results of operations.

Liquidity and financing risks

Liquidity risk may refer to the risk that the available liquidity is insufficient to meet payment obligations in relation to insurance contracts, in particular resulting from unexpected events or series of events, such as mass surrenders or weather related and man-made catastrophes related large losses that trigger Baloise Group's coverage obligations. Baloise Group's liquidity may also be insufficient to meet payment obligations resulting from investment activities, in particular related to derivative contracts made on a collateralised basis, such as those used for hedging activities (in particular, Baloise Group uses such instruments to hedge interest rate risk and foreign exchange risk) and forward contracts.

Unexpected liquidity needs could require Baloise Group to increase levels of indebtedness or to liquidate investments or other assets. If Baloise Group requires liquidity at a time when access to bank funding or capital markets is limited, it may not be able to secure new sources of financing. In particular, Baloise Group's ability to meet liquidity needs through the incurrence of debt may be limited by constraints on the general availability of credit and the willingness of lenders to lend in case of bank funding, and adverse market conditions in case of capital market instruments.

The realisation of any of the aforementioned risks could have material adverse effects on Baloise Group's liquidity situation, financial condition and results of operations.

Impairment risks

If certain operational and strategic targets cannot be achieved in time, Baloise Group could be faced with impairment losses on its subsidiaries, associates and its other intangible assets. Baloise Group tests goodwill for impairment annually in autumn and whenever there is an indication that the asset might need to be impaired. The tests may lead to an impairment write-down of said assets, which could have material adverse effects on Baloise Group's business, financial condition and results of operations.

Risks of rating downgrades and other negative rating actions

Many of Baloise Group's businesses are dependent on the financial strength and credit ratings assigned to them and their businesses (including outlooks). Therefore, a rating downgrade (or any other negative rating actions such as a change in the outlook) may materially adversely affect relationships with customers and intermediaries, negatively impact sales of its products and increase its cost of borrowing and of reinsurance.

Claims paying ability and financial strength ratings are each a factor in establishing the competitive position of insurers. The financial strength rating of the Issuer has a significant impact on the individual ratings of key subsidiaries. If a rating of certain Baloise Group's entities falls below a certain threshold, the respective operating business of these entities or other Baloise Group entities may be significantly affected. A negative rating action with respect to the Guarantor or any of its insurance subsidiaries, including in particular the Issuer as one of the main operating subsidiaries, could, among other things, adversely affect relationships with customers, agents, brokers and other distributors of its products and services, thereby negatively affecting new sales and existing business, adversely affect its ability to compete in the relevant markets and increase the cost of borrowing. In particular, in those countries where primary distribution of its products is done through independent partners, such as Germany, Belgium and Luxembourg, negative rating actions could adversely impact sales of insurance products.

Any negative rating action could also materially adversely affect Baloise Group's cost of capital, and could, in addition, give rise to additional financial obligations or accelerate existing financial obligations which are dependent on maintaining specified rating levels. Rating agencies can be expected to continue to monitor Baloise Group's financial strength and claims paying ability, and no assurances can be given that future negative rating actions will not occur, whether due to economic and financial market downturns, changes in Baloise Group's performance, changes in rating agencies' industry views, rating methodologies or criteria, or a combination of such factors.

Counterparty risks

Baloise Group has monetary and securities claims under numerous transactions against reinsurers, brokers and other debtors. Such third-party debtors may not pay or fail to perform their other obligations. These parties include the issuers whose securities are held by Baloise Group, borrowers under loans made, customers, trading counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. Also, Baloise Group is active in the banking business in Switzerland, where it actively lends funds to borrowers. As a result, defaults by one or more of these parties on their obligations due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons, or even rumours about potential defaults by one or more of these parties or regarding the financial services industry generally, could lead to losses or defaults by Baloise Group. In addition, with respect to secured transactions, Baloise Group's credit risk may be exacerbated when the collateral held by it cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure.

The realisation of any of the aforementioned risks could have material adverse effects on Baloise Group's liquidity situation, financial condition and results of operations.

Operational risks

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes and systems, people or from external events which adversely impact the operations of Baloise Group (other than financial risks such as, *inter alia*, financial market risks and counterparty risks). In particular in view of the broad spectrum of operational risks, the realisation of one or more of these risks could damage Baloise Group's reputation and have material adverse effects on its business, financial condition and results of operations.

Risks related to the efficient and uninterrupted operation of Baloise Group's information technology systems

Baloise Group's ability to improve and maintain its financial controls as well as its risk management processes to comply with the legal requirements and to pursue its business depends, in part, on the efficient, adequate and uninterrupted operation of its information technology systems including its management information systems. These information technology systems are subject to damage or interruption from floods, fires, power loss, telecommunications, hardware and software failures and similar events, and Baloise Group's business contingency and continuity measures, data safety and information technology security and document retention procedures may prove to be insufficient. These systems may also be subject to sabotage, vandalism and similar misconduct. Cyber attacks directed at Baloise Group's computer systems or networks and other forms of criminal manipulation could disrupt its businesses, result in the disclosure of confidential information and damage its reputation.

Baloise Group's information technology may not be able to provide Baloise Group with adequate support. Certain of its information is held on aged or legacy systems. Baloise Group may not be able to ensure maintenance of these systems and their applications. There is a risk that it will be difficult to operate these systems at the same level of efficiency as other systems of Baloise Group and that the migration of old or creation of new applications and the transfer of information held on the aged or legacy systems to more up-to-date systems, could result in the loss of data and/or Baloise Group incurring significant additional costs. Baloise Group might also face similar risks occurring in the context of the implementation of new systems or applications.

Baloise Group's information technology governance, its project, contract and compliance management and implementation and its information technology risk management procedures may prove to be insufficient. Software source codes and the intellectual property rights required for the software used by Baloise Group may not be sufficiently secured or obtained and cancellation of information technology projects may result in significant write-offs.

Baloise Group also depends on the continued performance of certain third party service and software providers. Ownership of information technology assets used by Baloise Group may remain with third party providers and Baloise Group may lose control of these assets. The systems of any third party service provider are subject to the same risks of interruption highlighted above, as well as the risk that such provider may by reason of insolvency or otherwise fail to perform its obligations under the relevant service arrangements.

The realisation of any of the aforementioned risks could have material adverse effects on Baloise Group's business, financial condition and results of operations.

Risks relating to Baloise Group's distribution partners

Baloise Group's business focuses on providing comprehensive life and non-life insurance coverage. In its core markets Switzerland, Germany, Belgium and Luxembourg, Baloise Group offers comprehensive and individual advice plus a broad range of own and partner products through, among other chains, distribution partners (such as insurance brokers and banks).

If a significant number of these distribution partners were to terminate their distribution agreements with Baloise Group, or if the terms of such distribution agreements were to change to Baloise Group's detriment, it may lose a material portion of the business provided by such distribution partners. This could have material adverse effects on Baloise Group's business, financial condition and results of operations.

Risks related to the dependence on key personnel and qualified staff

In order to implement its strategy, Baloise Group is dependent on key personnel, including the members of the Corporate Executive Board. Were Baloise Group to lose the services of one or more of its key personnel, its ability to implement its new strategy and to manage its business may suffer, which could have material adverse effects on Baloise Group's business, financial condition and results of operations.

Risks related to the integration of acquired businesses

As a result of any material acquisitions, Baloise Group will face risks typically associated with such acquisitions, including those related to the integration of additional entities, organisations, employees and facilities, as well as maintaining the existing and/or having to establish new relationships with customers. There are inherent difficulties that may arise after the closing of an acquisition, such as delays in implementation or unexpected costs or liabilities. Similarly, there is a risk that Baloise Group will not be able to realise the expected operating benefits or synergies from an acquisition. The occurrence of any of these risks could have material adverse effects on Baloise Group's business, financial condition and results of operations.

Regulatory, legal and tax-related risks

Risks due to regulatory or legal changes

Baloise Group is primarily active in the insurance business (life and non-life insurance). Furthermore, it is active in the banking sector in Switzerland and Germany and offers asset management services primarily to institutional clients located in Switzerland. Baloise Group's businesses are subject to detailed, comprehensive laws and regulations as well as close supervision in all the countries in which it operates. Changes in existing laws and regulations and their interpretation may affect the way in which Baloise Group conducts its business and the products it offers. Changes in regulations relating to pensions and employment, social security, financial services including reinsurance business, taxation, securities products and transactions may necessitate the restructuring of its activities, impose increased costs and thereby, or otherwise, could have material adverse effects on Baloise Group's businesses or Baloise Group as a whole.

In addition, Baloise Group, like many other financial institutions, has come under greater regulatory scrutiny in recent years and expects similar conditions to continue for the foreseeable future. Regulatory agencies have broad administrative powers over many aspects of the financial services business, which may include corporate governance, liquidity, capital adequacy, permitted investments, ethical issues, "know your customer" and anti-money laundering rules, privacy, record keeping, solicitation, marketing and selling practices as well as employee compensation, conduct of business and product governance requirements. Insurance, banking and other financial services laws, regulations and policies currently governing Baloise Group entities may change at any time in ways which have an adverse effect on their respective businesses or Baloise Group as a whole, and Baloise Group cannot predict the timing or form of any future regulatory or enforcement initiatives in respect thereof. Also, regulators and other supervisory authorities in Switzerland, the European Union and elsewhere continue to scrutinise payment processing and other transactions under regulations governing matters such as money-laundering, prohibited transactions with countries subject to sanctions, tax evasion and bribery or other anti-corruption measures. Despite Baloise Group's best efforts to comply with applicable regulations, there are a number of risks in areas where applicable regulations may be unclear or where regulators revise their previous guidance or courts overturn previous rulings. Regulators and other authorities have the power to bring administrative, criminal or judicial proceedings against Baloise Group, which could result, among other things, in significant adverse publicity and reputational damage, suspension or revocation of licenses, other operative or financial conditions ("*Auflagen*"), cease-and-desist orders, fines, civil penalties, criminal sanctions and/or other disciplinary actions.

In Switzerland, the Issuer, the Guarantor (on a consolidated level) and several of its Swiss subsidiaries are supervised by the Swiss Financial Market Supervisory Authority FINMA ("**FINMA**"). Foreign subsidiaries of the Guarantor are supervised by their relevant local regulators.

In the European Union and Switzerland, reforms have been undertaken to modernise and strengthen the capital requirements of insurance companies and insurance groups. These reforms generally led to an increase in regulatory capital requirements compared to previous solvency regimes (Solvency I). In Switzerland, insurers are required to hold sufficient risk absorbing capital in order to cover their target capital under the Swiss Solvency Test (SST) which may be more stringent than the corresponding requirements in the European Union (Solvency II) and other jurisdictions. This may put Baloise Group at a competitive disadvantage compared with companies based outside of Switzerland.

FINMA defines the risk models which Baloise Group may use for calculating the SST on an annual basis. Baloise Group currently uses a combination of standard and internal models in accordance with FINMA's rules and regulations. Going forward, FINMA requests the insurance industry to use more standard and less internal models. This may have a significant impact on Baloise Group's solvency position.

In Europe, Solvency II has become effective on 1 January 2016 and contains the additional Omnibus II Directive of 16 April 2014. The detailed rules of the Solvency II regime are contained in the finalised Delegated Acts (dated 10 October 2014) adopted by the European Commission and approved by the European Parliament and Council. The European Insurance and Occupational Pensions Authority ("**EIOPA**") has issued technical standards and guidelines, whose overall goal is to ensure the application of a consistent supervisory framework under Solvency II across the European Union.

Technical standards, issued by EIOPA and adopted by the European Commission, consist of regulatory and implementing technical standards that concern purely technical matters (no strategic decisions or policy choices) and require the expertise of supervisory experts. Areas covered include, among others, uniform reporting and the exchange of information between supervisory authorities. Guidelines issued by EIOPA cover, among others, the implementation of certain requirements in the areas of governance, Own Risk and Solvency Assessment (ORSA), regulatory reporting and the potential use of internal models.

On 5 June 2015, the European Commission has recognised the Swiss insurance supervision system as equivalent with the Solvency II Directive in all three areas of Solvency II: solvency calculation, insurance group supervision and reinsurance. According to this decision, which is based on a report by EIOPA, the Swiss insurance regulatory regime is fully equivalent to Solvency II. Equivalence has been granted for an indefinite period.

As of 1 January 2016, annual and quarterly quantitative reporting templates as well as narrative reportings, must be submitted to the respective regulators for all members of Baloise Group which are subject to the Solvency II regime. The first public disclosure required under Solvency II took place in 2017 with the solvency and financial condition report. Baloise Group runs a group-wide programme for the implementation of Solvency II and the submission of required reportings. Its primary aim is to ensure Solvency II compliance for all subsidiaries and associates which are subject to the Solvency II regime.

Baloise Group will have to publish SST information in a report regarding the financial situation (*Bericht über die Finanzlage*) as of 31 December 2017 in April 2018. FINMA is authorized to request the publication of the 2016 report. Any publication of quantitative figures may have material effects on the perception of an insurer's stability and solvency and, accordingly, on the market valuation of Baloise Group's debt instruments as well as its share price.

The implementation of the SST and Solvency II are subject to ongoing discussions with regulators which could lead to additional capital requirements of the Issuer and its subsidiaries or changes to the way in which Baloise Group carries out its business being required, could result in additional expense or a competitive disadvantage vis-à-vis competitors domiciled outside of Switzerland or could otherwise adversely affect Baloise Group's financial or solvency position.

In addition, insurers may be required by FINMA to separate the collective life insurance business and the individual life insurance business. While the industry is currently evaluating ways to avoid such a separation by implementing alternative measures, it cannot be excluded that life insurers may be required to implement such separation in the future. Currently, Baloise Group cannot assess the implications on its financial or solvency position and it cannot exclude that such separation could have material adverse effects on Baloise Group's businesses or Baloise Group as a whole.

Moreover, the regulatory framework of the Swiss financial sector (including insurance undertakings) is currently being revised. By means of several new codified acts and legislative projects, the Swiss Financial Market Infrastructure Act ("**FMIA**"), the draft Insurance Supervision Act ("**ISA**"), the draft Insurance Contract Act ("**ICA**"), the draft Swiss Financial Services Act ("**FSA**") and the draft Swiss Financial Institutions Act ("**FINIA**"), the Swiss lawmaker responds to international developments and changes with a view to accommodate a compatible level playing field. The FMIA has come into effect as of 1 January 2016 and is expected to have no material impact on Baloise Group. The FSA and FINIA are expected to come into effect in 2019 at the earliest. The final wordings of the FSA and FINIA are still uncertain, however, it cannot be excluded that these new legal frameworks and their application by FINMA could have material adverse effects on Baloise Group's businesses and results of operations.

Risks due to legal quote restrictions in Switzerland and similar regulations in other jurisdictions

Some of Baloise Group's life insurance business is affected by so called legal quote restrictions. Such legal quote restricts Baloise Group's ability to allocate surplus to its shareholders and may affect its debt servicing capacity, including the Issuer's ability, to meet interest payment obligations under the Bonds, if any. Under certain circumstances, the legal quote may affect the profitability of other Baloise Group affiliates that provide services to the insurance life business. The "legal quote" limits Baloise Group's flexibility in a way which, in certain market conditions, could have a negative impact on its future profitability and the value of new and existing business.

The Swiss BVG legal quote mechanism introduced in 2004 is regularly subject to political and public discussions. There can be no assurance that the current BVG legal quote regime will remain unchanged in the future. Unfavourable changes to it or to comparable regulations in other countries in which Baloise Group operates could adversely affect the profitability of Baloise Group.

While Baloise Group believes that the legal quote restrictions reduce the sensitivity of its results (after policyholder participation) to changes in the BVG guaranteed minimum interest rate or the mandatory conversion rate, the profitability of Baloise Group's BVG business and Baloise Group's ability to maintain and increase its premium volume and market share could both be adversely affected if the levels of, or changes in, either of these rates do not reflect the prevailing economic, market or other conditions relevant for such products.

Risks relating to the sustainability of Baloise Group's BVG business

Baloise Group's life insurance business in Switzerland based on the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (*Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge*, or "**BVG**") is subject to guaranteed minimum interest and annuity conversion rates. Swiss law provides for an annuity conversion rate which determines the amount of the annual retirement pension payable to an annuitant based on the contributions accumulated to the retirement date. For the mandatory part of Baloise Group's life insurance business in Switzerland, the legally stipulated conversion rate is applied whereas in the non-mandatory part of the BVG business a conversion rate calculated using actuarial assumptions is applied. Guaranteed minimum interest and annuity conversion rates could be imposed by the respective authorities in a manner which may diverge from the rates of return that Baloise Group is able to achieve on its assets. The minimum interest rate is subject to annual changes by the Swiss Federal Council and the annuity conversion rate does not as yet follow a predictable formula consistent with the economic notion of a guarantee. The process for setting these rates is not predictable and the rates may from time to time diverge from the rates of return that Baloise Group is able to achieve on the assets backing such business.

In addition, while Baloise Group has some flexibility to reprice or restructure its products in response to such conditions or changes, the ability to implement a revised product offering is subject to a number of uncertainties and may not have immediate effect. For example, the current Swiss regulatory regime requires that approval must be sought from the regulator prior to the introduction of new tariffs. Also, the ability to implement a revised product offering is subject to customers' acceptance of the new terms.

Failure by Baloise Group to achieve a rate of return on its investments in excess of the statutory guaranteed minimum interest rate could have material adverse effects on Baloise Group's financial condition and results of operations. The same adverse effects could result from changes in mortality, morbidity, longevity and other biometric assumptions, changes in technical interest rates not provided for in the statutory guaranteed annuity conversion rate, and from any adverse change in the statutory guaranteed interest or annuity conversion rates. At the extreme, in the event of market deterioration or of the setting of the statutory guaranteed interest rate or the statutory guaranteed annuity conversion rate at certain levels, Baloise Group may be unable to write profitable group life insurance business in Switzerland.

Risks emanating from the pension reform 2020 ("Rentenreform 2020")

The pension reform 2020 (*Rentenreform 2020*) which is subject to a public vote in September 2017 could lead to adverse business conditions in which the risk-return balance would change. This could result in lower underwriting and/or lower income. Further, if conditions would be adverse beyond the point of acceptability from a shareholders ' return perspective, *i.e.* if cost of capital would become unsustainable, Baloise Group could decide to partly or fully terminate underwriting new business and/or disposing of existing business, all of which could have material adverse effects on Baloise Group's businesses and results of operations.

Potential changes to International Financial Reporting Standards as issued by the International Accounting Standards Board may adversely affect the consolidated results of the Guarantor and its financial condition

The consolidated financial statements of Baloise Group are prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("**IASB**"). In March 2004, the IASB introduced a framework for reporting insurance contracts ("**IFRS 4**"), described as Phase I, which, except for selected exceptions, basically allowed the continuation of existing practices for reporting insurance contracts and associated policyholder liabilities that existed before January 2005. In June 2013, the IASB published a revised exposure draft of proposals for the accounting of insurance contracts building on the proposals formulated in the exposure draft published in July 2010, for its IFRS 4 Phase II on insurance contracts. Phase II is expected to introduce significant changes to the way entities that prepare accounts in accordance with IFRS would report insurance contracts. In May 2017 IFRS 17 "Insurance Contracts" was issued by the IASB with an effective date of 1 January 2021. IFRS 17 is expected to affect significantly the way the consolidated financial position and results of Baloise Group's operations are reported and measured, the impact of which currently cannot be fully assessed. Furthermore, in 2014, the IASB published the final version of the IFRS 9 Standard which will replace the current IAS 39 Standard regarding classification and measurement of financial instruments. In addition, in December 2015, the exposure draft "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" proposing amendments to IFRS 4 was published. Both, IFRS 9 and IFRS 17, are expected to affect the way the consolidated financial position and results of Baloise Group's operations are reported and measured.

Potential changes to International Financial Reporting Standards as issued by the International Accounting Standards Board may result in the Guarantor changing the applicable accounting standard which could lead to material impacts on the presentation of Baloise Group's results of operations

Depending on structure and content of IFRS 9 and IFRS 17, the insurance industry (including Baloise Group) may consider applying alternative accounting standards (such as, e.g., Swiss GAAP FER) rather than IFRS in the future. Should the Guarantor decide to change the applicable accounting standard, this could have material impacts on the presentation of Baloise Group's results of operations.

Risks of failure to comply with laws and regulations

Baloise Group's business may be negatively affected by adverse publicity, regulatory actions or litigation with respect to Baloise Group, other well-known companies and the financial services industry in general. In particular Baloise Group's different distribution channels in the countries where it operates business (sales personnel, tied agents, brokers, banking channels, owned and independent financial advisors) bear the risk of inefficiencies or litigation that arises from the failure or perceived failure by Baloise Group's sales representatives to comply with legal, regulatory or compliance requirements or their duty of care when advising clients. Legal sanctions, adverse publicity and damage to its reputation arising from such failure or perceived failure, financial reporting irregularities involving other large and well-known companies, increasing regulatory and law enforcement scrutiny of "know your customer", anti-money laundering and anti-terrorist-financing procedures and their effectiveness, regulatory investigations of the insurance and banking industries, and litigation that arises from the failure or perceived failure by subsidiaries of the Guarantor to comply with legal, regulatory and compliance requirements, could result in adverse publicity and reputational harm, lead to increased regulatory supervision, affect Baloise Group's ability to attract and retain customers as well as maintain access to the capital markets, result in lawsuits, enforcement actions, fines and penalties or have other adverse effects on Baloise Group in ways that are not predictable.

Litigation risks

Subsidiaries of Baloise Group are involved in legal, arbitration and other formal and informal dispute resolution proceedings both as plaintiff and respondent.

The outcome of any of such proceedings cannot be determined in advance. Baloise Group is of the opinion that the currently pending proceedings should not have any material detrimental effect on its assets and net income. Nevertheless, this assessment may prove to be inaccurate and therefore could have material adverse effects on Baloise Group's business, financial condition and results of operations.

Risks in connection with changes in tax laws

Baloise Group's net income and cash flows are determined to a certain extent by current taxation, regulation and application thereof by tax authorities. In addition, changes to tax laws may affect the attractiveness of certain of Baloise Group's products that currently receive favourable tax treatment. Governments in jurisdictions in which Baloise Group does business may consider changes to tax laws that could adversely affect such existing tax advantages, and if enacted, could result in a significant reduction in the sale of such products. The realisation of any of the aforementioned risks could have material adverse effects on Baloise Group's business, financial condition and results of operations.

Previously common practices and regulations regarding the taxation of companies and individuals are currently under scrutiny and change. The financial crisis has incentivised states to seek new sources of revenue. FATCA, as an example, has imposed significant new burdens on financial institutions regarding the documentation, reporting and potentially withholding of payments to US persons (for further information on FACTA please refer to the section "*SWISS TAXATION*" below). On OECD level, important changes like the automatic exchange of financial account information and the project base erosion and profit shifting (BEPS) have been implemented and/or are currently under consideration. The impact of such changes in practice, which have led to increased costs and the threat of potential fines for non-compliance, are inherently difficult to predict and may lead to significant costs and additional tax burdens for financial institutions such as Baloise Group.

Risks related to the Bonds

Complexity of the Bonds as financial instrument

The Bonds are complex financial instruments and may not be suitable for all investors. Each prospective investor should (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Prospectus; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of the investor's particular financial situation, an investment in the Bonds and the impact the Bonds will have on the investor's overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds and (iv) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect the investor's investment and the investor's ability to bear the applicable risks.

Before investing in the Bonds, each prospective investor should have understood the Conditions thoroughly and be familiar with them and the content of this Prospectus.

The Bonds and the Guarantee are subordinated obligations and will be subordinated to all present and future unsubordinated indebtedness of the Issuer and/or Guarantor

The Bonds and the Guarantee are by their terms subordinated in right of payment to (i) all current and future unsubordinated indebtedness of the Issuer and the Guarantor, in particular claims of creditors who are policyholders and (ii) all current and future claims which are or are expressed to be, subordinated to the claims of policyholders and other unsubordinated creditors of the Issuer and the Guarantor, respectively, except for claims that rank or are expressed to rank, equally with or junior to the claims of the Bondholders under the Bonds.

If any judgment is rendered by any competent court declaring the judicial liquidation of the Issuer or the Guarantor or if the Issuer or the Guarantor is liquidated for any other reason, the rights of payment of the Bondholders shall rank in priority only to any payments to holders of shares of the Issuer or the Guarantor or any other securities issued by the Issuer or the Guarantor which rank or are expressed to rank junior to the claims of the Bondholders. In the event of incomplete payment of unsubordinated creditors, the obligations of the Issuer or the Guarantor in connection with the Bonds will be terminated. The Bonds may pay a higher rate of interest than comparable bonds which are not subordinated, but there is a significant risk that an investor in the Bonds will lose all or some of its investment should the Issuer or the Guarantor become insolvent.

No events of default and limited acceleration rights

There are no events of default in respect of the Bonds and Bondholders are only entitled to claim redemption of the principal amount of the Bonds in case of the Issuer's bankruptcy, dissolution and/or liquidation. Bondholders have limited acceleration rights (as described in Condition VIII). In particular, Bondholders are not entitled to file for the opening of bankruptcy proceedings (*Konkursverfahren*) or to make other filings or motions which, if approved, will lead to a redemption of the Bonds. Rights of the Bondholders in bankruptcy proceedings (*Konkursverfahren*) or any form of composition with creditors (*Nachlassverfahren*) in relation to the Issuer are limited.

The Issuer may redeem the Bonds under certain circumstances

Subject to the conditions set out in Condition IV 5, in particular, the prior written approval from the Regulator, the Bonds may be redeemed at the option of the Issuer (i) in whole (but not in part) on the First Call Date and on any subsequent Interest Payment Date thereafter; or (ii) in whole (but not in part) at any time after the Issue Date following the occurrence of a Tax Event, a Rating Agency Event or a Regulatory Event (each as defined in Condition IV 3), subject to having given not less than 30 (thirty), and not more than 60 (sixty), calendar days' prior notice. There can be no assurance, however, that the Issuer will opt to redeem the Bonds. A change in law or regulation is not required in order for either a Tax Event or a Regulatory Event to occur; such Special Redemption Events may result from other events, including (without limitation) a change in the legal or regulatory status of the Issuer or the structure of Baloise Group.

Such redemption options will be exercised at the principal amount of the Bonds together with interest accrued to the date of redemption plus Deferred Interest, if any. During any period when the Issuer may elect to redeem the Bonds, the market value of the relevant Bonds is generally not expected to rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may also be expected to exercise its call option to redeem the Bonds when its cost of borrowing is lower than the interest rate on the Bonds. There can be no assurance that, at the relevant time, Bondholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as their investment in the Bonds. Prospective investors should consider reinvestment risk in light of other investments available at that time.

The Issuer may, except in certain limited circumstances, elect to and, in certain circumstances, must defer payment of interest on the Bonds

The Issuer may elect not to pay any interest otherwise scheduled for payment on any Interest Payment Date which does not constitute a Solvency Interest Deferral Date or a Compulsory Interest Payment Date (such date to constitute an "**Optional Interest Payment Date**"), as more fully described in Condition III 2. In addition, on any Interest Payment Date in relation to which a Solvency Event has occurred and is continuing at the relevant Reference Date (such date a "**Solvency Interest Deferral Date**"), the Issuer will be required to defer payment of interest, or as the case may be, the relevant Solvency Shortfall, as more fully described in Condition III 3.

Any such non-payment will not constitute a default by the Issuer under the Bonds or for any other purpose and shall not give Bondholders or the Principal Paying Agent any right to accelerate the Bonds or make demand under the Guarantee. Any interest not paid on an Optional Interest Payment Date and/or any Solvency Interest Deferral Date will constitute Deferred Interest as established in Condition III 5. Deferred Interest does not bear interest and may be paid at the option of the Issuer in whole or in part, subject to the Regulator's approval and no Solvency Event having occurred and being continuing, but will become due in full upon occurrence of certain events, all as more fully described in Condition III 5.

Any actual, or anticipated, deferral of any interest payment in accordance with the Conditions will likely have an adverse effect on the market price of the Bonds.

While the deferral of interest payment continues, the Issuer is not prohibited from making payments on any instrument ranking senior to the Bonds. In such event, the Bondholders are not entitled to claim immediate payment of the Deferred Interest.

No restriction from issuing further debt or guarantees which rank senior to or pari passu with the Bonds

There is no restriction on the amount of securities that the Issuer or the Guarantor may issue or guarantee that rank senior to or *pari passu* with the Bonds or to the Guarantee. The issue or guarantee of any securities may reduce the amount recoverable by the Bondholders in a liquidation, dissolution, insolvency, composition or other proceeding for the avoidance of insolvency of, or against, the Issuer or the Guarantor, or may increase the likelihood that the Issuer may elect to defer payments of interest under the Bonds. Consequently, the Bondholders could suffer direct and materially adverse consequences, including the loss of all or part of interest and principal.

Bondholders have no remedies against asset disposals and dividend payments and other distributions by the Issuer or Guarantor

The Conditions do not prohibit the Issuer or the Guarantor to dispose of any of its assets nor do the Conditions provide for any restrictions in the payment by the Issuer or the Guarantor of dividends in cash or any other manner. The sole consequence of a payment of dividends by the Issuer or the Guarantor is that any interest payment in respect of the Bonds scheduled during the six months period following the declaration of such dividend payment, together with Deferred Interest Payments, if any, may become compulsory under the Conditions.

No covenants concerning operations of the Issuer and the Guarantor and no transaction limitations

The Bonds do not contain covenants governing the operations of the Issuer or the Guarantor and do not limit the ability of the Issuer or the Guarantor to enter into a merger, asset sale or other significant transaction that could materially alter their existence, jurisdiction of organisation or regulatory regime and/or the composition and business of Baloise Group. In the event the Issuer or the Guarantor would enter into such a transaction, Bondholders could be materially and adversely affected.

Substitution and modification of the Terms of the Bonds, or substitution of the Issuer, upon the occurrence of a Special Redemption Event

If a Special Redemption Event has occurred, then the Issuer may, subject to Condition IV 6 (without any requirement for the consent or approval of the Bondholders) at any time vary the Terms of the Bonds, substitute the Bonds for other securities (which may or may not be regulatory capital securities) or substitute the Issuer so that the relevant event no longer exists after such modification or substitution. Whilst the modified Bonds must have terms not materially less favourable to Bondholders than the Terms of the Bonds as determined by the Issuer in its sole discretion, there can be no assurance that, due to the particular circumstances of each Bondholder, such modified Bonds will be as favourable to each Bondholder in all respects. Moreover, the Issuer may substitute itself in respect of all rights and obligations arising out or in connection with the Bonds with a successor issuer. Whilst, among other conditions, the rights of the Bondholders, as provided in the Bonds and the Guarantee, must not be materially prejudiced, the substitution of the Issuer under the Bonds could have material adverse effects on the Bondholders. The original issuer would not be required to provide a guarantee of the Bonds in such circumstances. See also *"Guarantor is a holding company*".

Modification, waivers and substitution

The Swiss Code of Obligations contains provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

Guarantor is a holding company

Because the Guarantor is a holding company whose primary assets consist of common stock or other equity interests in or amounts due from subsidiaries, its income is primarily derived from those subsidiaries. The subsidiaries of the Guarantor will have no obligation to pay any amount or perform in any respect under the Guarantee. The payment of dividends by many of the Guarantor's subsidiaries is subject to various solvency requirements and other regulatory restrictions. Restrictions on the ability of the Guarantor's subsidiaries to pay dividends or to make other cash payments may materially affect its ability to meet its obligations with respect to the Guarantee.

As an equity holder, the Guarantor's ability to participate in any distribution of assets of any subsidiary is subordinated to the claims of creditors of the subsidiary, except to the extent that any claims the Guarantor may have as a creditor of the subsidiary are judicially recognised. If these sources are not adequate, the Guarantor may be unable to meet its obligations with respect to the Guarantee.

The Bonds are a new issue of securities and there is no assurance that a trading market will develop or that it will be liquid

The Bonds are a new issue of securities by the Issuer and, notwithstanding that the Bonds are listed on the SIX, have no established trading market. If an established trading market develops that provides for certain liquidity in the Bonds, there can be no assurance that such liquidity remains available as liquidity and market prices for the Bonds are subject to market and economic conditions and the Issuer's financial condition. Investors may therefore not be able to sell the Bonds at any time and at prices that would provide them with a yield comparable to similar securities that have an established trading market.

Value of the Bonds

The market value of the Bonds will be affected by many factors, most of which are beyond the Issuer's control, such as the perceived creditworthiness (as may be expressed by a rating assigned by a rating agency) of the Issuer, and/or that of the Guarantor, the rating of the Bonds, the solvency situation of the Guarantor or any of its affiliates, and a number of additional factors including market interest and yield rates. The price at which a Bondholder will be able to sell the Bonds may be at a discount, which could be substantial, from the issue price or the purchase price paid by such Bondholder. Furthermore, due to future money depreciation (inflation), the real yield of an investment may be reduced.

Risks relating to the ratings on the Bonds

The ratings of the Bonds may not reflect the potential impact of all risks that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Rating agencies may also change their methodologies for rating securities with features similar to the Bonds in the future. If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Bonds were to be subsequently lowered or another negative rating action taken, this may have a negative impact on the market price of the Bonds.

Investors are exposed to risks associated with fixed interest rate securities

A holder of securities with a fixed interest rate is exposed to the risk that the price of such securities falls as a result of increasing market interest rates. While the interest rate of the Bonds is fixed until (and including) the First Call Date and, thereafter, until (and including) the next Subsequent Fixed Interest Payment Date, the interest rates in the capital markets (market interest rates) typically change on a daily basis. As the market interest rate changes, the price of the Bonds changes typically in the opposite direction. If the market interest rate increases, the price of the Bonds would typically fall and if the market interest rate falls, the price of the Bonds would typically increase. Therefore, Bondholders should be aware that movements of the market interest rate can adversely affect the price of the Bonds and can lead to losses if Bondholders sell their Bonds during the period in which the compensation rate of the Bonds is fixed, e.g., prior to the First Call Date.

The interest on the Bonds will reset on each Subsequent Fixed Interest Payment Date

The interest rate on the Bonds will initially be 2.20% per annum. However, the interest rate will be reset on each Subsequent Fixed Interest Payment Date such that from (and including) the First Call Date, the applicable per annum interest rate will be equal to the sum of the applicable 5-year Mid Swap Rate on the relevant Coupon Determination Date immediately preceding the relevant Subsequent Fixed Interest Payment Date and the Initial Margin. The interest rate following any Subsequent Fixed Interest Payment Date may be less than the initial interest rate and/or the interest rate that applies immediately prior such Subsequent Fixed Interest Payment Date, which could affect the amount of any interest payments under the Bonds and thus the market value of the Bonds.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should consult its legal advisors to determine whether and to what extent (i) the Bonds are lawful investments for it, (ii) the Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Bonds.

Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

Proposed Amendment of the Swiss Federal Withholding Tax Act

On 4 November 2015, the Swiss Federal Council announced that it had mandated the Swiss Federal Finance Department to appoint a group of experts to prepare a proposal for a reform of the Swiss withholding tax system. The proposal is expected to, among other things, replace the current debtor-based regime applicable to interest payments with a paying agent-based regime for Swiss withholding taxes. This paying agent-based regime is expected to be similar to the one contained in the draft legislation published by the Swiss Federal Council on 17 December 2014, which was subsequently withdrawn on 24 June 2015.

If such a new paying agent-based regime were to be enacted and were to result in the deduction or withholding of Swiss withholding tax by a paying agent in Switzerland on any interest payments in respect of the Bonds, neither the Issuer, nor the Guarantor, nor the Principal Paying Agent, nor any other paying agent or person would, pursuant to the Terms of the Bonds, be obliged to pay additional amounts with respect to the Bonds as a result of the deduction or imposition of such withholding tax.

Payments on or with respect to the Bonds may be subject to U.S. withholding under FATCA

The Issuer and other non-U.S. financial institutions through which payments on the Bonds are made may be required to withhold U.S. tax at a rate of 30 per cent on certain payments made after 31 December 2018 in respect of the Bonds pursuant to the Foreign Account Tax Compliance Act ("**FATCA**") (for further information on FACTA please refer to the section "*SWISS TAXATION*" below).

Whether such withholding tax applies may depend on whether the financial institution through which payments on the Bonds are made has agreed to provide certain information on its account holders pursuant to a FATCA agreement with the U.S. Internal Revenue Service ("**IRS**") and an investor's consent, where necessary, to have its information provided to the IRS. Consequently, subject to certain conditions, a Bondholder may be subject to generally applicable information reporting, and may also be subject to backup withholding requirements with respect to payments made in respect of the Bonds unless the Bondholder complies with certification and identification requirements or an exception to the information reporting and backup withholding rules otherwise applies.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Bonds as a result of FATCA, none of the Issuer, the Guarantor, the Principal Paying Agent, or any other paying agent or person would, pursuant to the Terms of the Bonds, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected. Investors should thus consult their own tax advisors on how these rules may apply to payments they receive under the Bonds.

No legal and tax advice

Each prospective investor should consult its own advisors as to legal, tax and related aspects of an investment in the Bonds. A Bondholder's effective yield on the Bonds may be diminished by the tax impact on that Bondholder of its investment in the Bonds.

A Bondholder's actual yield on the Bonds may be reduced from the stated yield by transaction costs.

TERMS OF THE BONDS

The terms and conditions (each a "**Condition**", and together the "**Terms of the Bonds**") of the Bonds, issued by Baloise Life Ltd, and unconditionally and irrevocably guaranteed on a subordinated basis by Bâloise Holding Ltd, are established pursuant to the Bond Purchase and Paying Agency Agreement. The Terms of the Bonds govern the rights and obligations of the Issuer, the Guarantor and the Bondholders in relation to the Bonds and are as follows:

I Denomination and form of the Bonds

The Bonds are issued in the aggregate principal amount of CHF 200,000,000 and are divided into Bonds with denominations of CHF 5,000 and multiples thereof.

The Issuer reserves the right to reopen and increase the aggregate principal amount of the Bonds issued at any time and without prior consultation or permission of the Bondholders through the issuance of further bonds which will be fungible with the Bonds (i.e., identical especially in respect of the Terms of the Bonds, security number, final maturity and interest rate).

The Bonds and all rights in connection therewith are issued in uncertificated form in accordance with article 973c OR as uncertificated securities (*Wertrechte*) that will be created by the Issuer by means of a registration in its register of uncertificated securities (*Wertrechtebuch*). Such uncertificated securities (*Wertrechte*) will then be entered into the main register (*Hauptregister*) of the SIX SIS Ltd or any other intermediary in Switzerland recognized for such purposes by the SIX Swiss Exchange (SIX SIS Ltd or any such other intermediary, the "**Intermediary**"). Once the uncertificated securities (*Wertrechte*) are registered in the main register (*Hauptregister*) of the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Bonds will constitute intermediated securities (*Bucheffekten*) (the "**Intermediated Securities**") in accordance with the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*).

Neither the Issuer, nor the Bondholders, nor UBS AG as principal paying agent in respect of the Bonds (the "**Principal Paying Agent**") shall at any time have the right to effect or demand the conversion of the uncertificated securities (*Wertrechte*) into, or the delivery of, a permanent global certificate (*Globalurkunde*) or definitive Bonds (*Wertpapiere*).

So long as the Bonds are in the form of Intermediated Securities, the Bonds may only be transferred or otherwise disposed of in accordance with the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*), i.e., by the entry of the transferred Bonds in a securities account of the transferee.

The records of the Intermediary will determine the number of Bonds held through each participant by the Intermediary. In respect of the Bonds held in the form of Intermediated Securities, the holders of the Bonds (the "**Bondholders**") will be the persons holding the Bonds in a securities account in their own name and for their own account.

II Status of the Bonds

The Bonds constitute direct, subordinated and unsecured obligations of the Issuer and rank *pari passu*, without any preference, among themselves. The claims of the Bondholders rank on a voluntary or involuntary insolvency, winding-up, liquidation, composition (*Nachlassverfahren*), dissolution (other than pursuant to a merger, consolidation or amalgamation with another entity where the resulting or surviving entity assumes all the obligations of the Issuer in respect of the Bonds) or other similar proceedings of or against the Issuer:

a) after the claims of any Senior Creditors;

b) *pari passu* with any Parity Instruments; and

c) prior to the claims of the holders of all Junior Instruments.

"**Parity Instruments**" means (i) any preferred or preference shares of the Issuer expressed to rank *pari passu* with the Bonds ("**Parity Shares**"), if any, (ii) guarantees by the Issuer (whether through an agreement or instrument labelled as a guarantee, as a support agreement, or with some other name but with an effect similar to a guarantee or support agreement) of preferred securities or preferred or preference shares issued by any of the Issuer's subsidiaries and expressed to rank *pari passu* with the Parity Shares, if any, and (iii) any of the Issuer's existing or future unsecured and subordinated obligations expressed to rank *pari passu* with the Issuer's obligations under the Bonds.

"**Junior Instruments**" means (i) ordinary shares, (ii) preference shares expressed to rank junior to the Issuer's Parity Shares, and (iii) any other of the Issuer's securities or obligations expressed to rank junior to the Parity Instruments issued directly by it.

"**Senior Creditors**" means creditors of the Issuer, (i) who are policyholders or other unsubordinated creditors of the Issuer, or (ii) whose claims are, or are expressed to be, subordinated (whether only in the event of the liquidation, dissolution or winding-up of the Issuer or otherwise) to the claims of policyholders and other unsubordinated creditors of the Issuer (including all existing and future unsecured, subordinated obligations of the Issuer (whether actual or contingent), except those whose claims rank, or are expressed to rank, equally with or junior to the claims of the Bondholders under the Bonds.

For the avoidance of any doubt, in the event of a voluntary or involuntary liquidation, dissolution, insolvency, composition (*Nachlassverfahren*) or other similar proceedings for the avoidance of insolvency of the Issuer no amounts shall be payable in respect of the Bonds until the claims of all unsubordinated and subordinated creditors of the Issuer, the claims of which rank senior to the Bonds, shall have first been satisfied in full.

The subordination provisions of this Condition II are irrevocable.

III Interest

1 Interest Rate

1.1 Initial Fixed Rate

The Bonds will bear interest payable annually in arrears from and including 19 September 2017 (the "**Issue Date**") to but excluding the First Call Date at a rate of 2.20 per cent per annum, payable in arrears for the first time on 19 June 2018 and thereafter annually in arrears on 19 June in each year (each an "**Initial Interest Payment Date**"), for the last time on the First Call Date.

1.2 Subsequent Fixed Interest Rate

As from (and including) the First Call Date, in respect of each successive five-year period (the "**Relevant Five-Year Period**"), the first such period commencing on (and including) 19 June 2028 and ending on (but excluding) the fifth anniversary of that date, unless previously redeemed, the Bonds will bear interest payable annually in arrears on 19 June in each year (each a "**Subsequent Fixed Interest Payment Date**") with the rate of interest being determined on each Coupon Determination Date as the 5-year Mid Swap Rate plus the Initial Margin (the "**Subsequent Fixed Interest Rate**").

"**5-year Mid Swap Rate**" means the 5-year CHF mid market swap rate calculated on the basis of the rates displayed on GOTTEX page "CHF Interest Rate Swaps vs LIBOR" (or such other page as may replace that page on GOTTEX, including, but not limited to, referring to a successor rate of LIBOR, or such other service as may be nominated by the person providing or sponsoring the information appearing there for the purposes of displaying comparable rates) at 11.00 a.m. (CET) on the Coupon Determination Date. If swap rates do not appear on that page, the 5-year Mid Swap Rate shall be determined by the Principal Paying Agent on the basis of (i) quotations provided by the principal office of each of four major banks in the CHF swap market of the rates at which swaps in CHF are offered by it at approximately 11.00 a.m. (CET) on the Coupon Determination Date to participants in the CHF swap market for the period equal to the Relevant Five-Year Period; and (ii) the arithmetic mean rounded, if necessary, to the nearest 0.00001 (0.000005 being rounded upwards) of such quotations.

"**Coupon Determination Date**" means, in respect of a Relevant Five-Year Period, the 5th (fifth) Business Day prior to 19 June 2028 and each 5th (fifth) Business Day prior to the 1st (first) day of the Relevant Five-Year Period thereafter.

"**Business Day**" means a day (other than a Saturday or Sunday) on which banks are open for business in Zurich.

"**Subsequent Fixed Interest Rate Period**" means the period (i) from (and including) the First Call Date to (but excluding) the next Subsequent Fixed Interest Payment Date or (ii) from (and including) any Subsequent Fixed Interest Payment Date to (but excluding) the next Subsequent Fixed Interest Payment Date.

"**Initial Interest Rate Period**" means the period (i) from (and including) the Issue Date to (but excluding) the next Initial Interest Payment Date or (ii) from (and including) any Initial Interest Payment Date to (but excluding) the next Initial Interest Payment Date.

"**Interest Payment Date**" means an Initial Interest Payment Date or a Subsequent Fixed Interest Payment Date.

"**Interest Period**" means an Initial Interest Rate Period or a Subsequent Fixed Interest Rate Period.

"**Initial Margin**" means 194.6 basis points.

1.3 Determination of Subsequent Fixed Interest Rate and Subsequent Fixed Interest Rate Coupon Amount

The Principal Paying Agent will, as soon as practicable after the determination of the Subsequent Fixed Interest Rate in relation to each Subsequent Fixed Interest Rate Period, calculate the amount of interest (the "**Subsequent Fixed Interest Rate Amount**") payable in respect of each Bond with a denomination of CHF 5,000 for such Subsequent Fixed Interest Rate Period on the basis of a year of 360 days with twelve 30-day months (30/360 basis).

1.4 Publication of Subsequent Fixed Interest Rate and Subsequent Fixed Interest Rate Amount

The Principal Paying Agent shall cause the Subsequent Fixed Interest Rate and the Subsequent Fixed Interest Rate Amount and the relative Subsequent Fixed Interest Payment Date (i) to be notified to the Issuer, the Guarantor and to the SIX Swiss Exchange or other relevant authority on which the Bonds are at the relevant time listed, and (ii) to be published in accordance with Condition X as soon as practicable after their determination, and in no event later than the 5th (fifth) Business Day thereafter. The Subsequent Fixed Interest Rate Amount and Subsequent Fixed Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the relevant Subsequent Fixed Interest Rate Period.

1.5 Notifications

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition III 1 by the Principal Paying Agent shall be final and binding on the Issuer, the Guarantor and all Bondholders and (in the absence of default, bad faith or manifest error) no liability to the Issuer, the Guarantor or Bondholders shall attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition III 1.

2 Optional Deferral of Interest Payments

The Issuer will have the right to defer interest payments on the Bonds, in whole but not in part, on an Interest Payment Date which qualifies as an Optional Interest Payment Date by giving notice to the Bondholders and the Principal Paying Agent in accordance with Condition X not less than 3 (three) Business Days prior to the relevant Optional Interest Payment Date. An "**Optional Interest Payment Date**" will be deemed to be occurring on any Interest Payment Date which does not constitute a Solvency Interest Deferral Date or a Compulsory Interest Payment Date. A notice given by the Issuer according to this Condition III 2 shall no longer have any effect, in case any Interest Payment Date after such notice is a Compulsory Interest Payment Date.

3 Solvency Deferral of Interest

A "**Solvency Interest Deferral Date**" occurs if, in respect of on an Interest Payment Date or a redemption date, a Solvency Event has occurred and is continuing on the relevant Reference Date, unless such Interest Payment Date is a Compulsory Interest Payment Date. In such case the Issuer will be required to suspend payment of any interest amount; provided that in the case where the payment of such interest amount would itself cause a Solvency Event to occur, the Issuer will only be required to suspend the Solvency Shortfall, except that the Issuer will not be required to suspend the payment of such interest amount or Solvency Shortfall, as the case may be, if FINMA has given its consent to such payment.

If the Issuer is required to defer interest in accordance with this Condition III 3, it will give notice to the Bondholders and the Principal Paying Agent in accordance with Condition X, not less than 3 (three) Business Days prior to such Solvency Interest Deferral Date of the amount of the relevant interest payment that shall be deferred.

"**Reference Date**" means the 10th (tenth) Business Day preceding the relevant Interest Payment Date or redemption date, as the case may be.

A "**Solvency Event**" shall have occurred if:

a) the Issuer or the Guarantor (the latter on a group level) does not have appropriate funds to cover the Required Solvency Margin, or the amount of such funds would, as a result of a full or partial interest payment (including, for the avoidance of doubt, Deferred Interest) or redemption payment or repurchase, respectively, that would otherwise be due, be or become less than the Required Solvency Margin; or

b) the Issuer is unable to pay its debts owed to its Senior Creditors as they fall due; or

c) the Assets of the Issuer do not exceed its Liabilities (other than liabilities to persons who are not Senior Creditors of the Issuer); or

d) FINMA has given (and not withdrawn) notice to the Issuer or the Guarantor that it has determined, in view of the financial and/or capital position of the relevant entity, that in accordance with applicable regulations at such time, the Issuer must take specified action in relation to payments on the Bonds.

"**Assets**" means the unconsolidated total assets (*Umlauf- und Anlagevermögen*) of the Issuer, as shown in the Issuer's latest annual audited balance sheet, but adjusted for all subsequent events, as reasonably determined by the Issuer, or if the Issuer is being liquidated, its liquidator.

"**Liabilities**" means the unconsolidated total liabilities (*Fremdkapital*) of the Issuer, as shown in the Issuer's latest annual audited balance sheet, but adjusted for all subsequent events, as reasonably determined by the Issuer, or if the Issuer is being liquidated, its liquidator.

"**Required Solvency Margin**" means the required solvency margin (or a comparable term in case of a change in applicable rules) in accordance with the provisions of mandatorily applicable regulatory capital requirements (including but not limited to Swiss insurance regulatory law (for single solvency or group solvency purposes, as applicable) or generally recognised administrative practice, if any, of FINMA or otherwise, mandatorily applicable at that time) which is used by FINMA, inter alia, in determining whether deferral of interest is required under applicable rules.

"**Solvency Shortfall**" means the portion of the interest amount (including, for the avoidance of doubt, Deferred Interest), which would be due under these Conditions but for the occurrence and the continuance of a Solvency Event that would cause a Solvency Event to occur or be continuing.

"**FINMA**" means the Swiss Financial Market Supervisory Authority (FINMA) or such other agency that, from time to time, assumes or performs the function that is performed by FINMA as at the Issue Date.

4 Compulsory Payment of Interest

Interest will be mandatorily due and payable in full on any Compulsory Interest Payment Date.

A "**Compulsory Interest Payment Date**" means each Interest Payment Date prior to which, at any time during a period of (6) six months, a Compulsory Interest Payment Event occurred; provided however, that (i) no Solvency Event has occurred and is continuing as of such Interest Payment Date and (ii) no Solvency Event would occur as a result of any payment of the relevant interest amount (including, for the avoidance of doubt, any Deferred Interest) on such Interest Payment Date (in which case the Issuer will only be required to pay the relevant interest amount other than the Solvency Shortfall).

A "**Compulsory Interest Payment Event**" occurs when:

a) either the Issuer or the Guarantor has declared any dividend or other distribution (including for the avoidance of doubt, any nominal value reduction of the Guarantor's ordinary shares but not including a dividend made solely through the issuance of new shares) or has paid interest (or arrears thereof) on or in respect of any Junior Instruments and/or Parity Instruments excluding any declaration of a distribution or interest payment (i) that is made intra-group; or (ii) that was itself mandatory under the terms and conditions of such Parity Instrument or Junior Instrument; or (iii) made in connection with any employee compensation arrangement so long as the dividend or distribution is itself either a Parity Instrument or Junior Instrument or if a derivative, where the deliverable is either a Parity Instrument or a Junior Instrument; or

b) redemption, repayment, repurchase or any other acquisition for purposes of cancellation of any of their respective Parity Instruments and/or Junior Instruments has been made by or on behalf of the Issuer or the Guarantor unless that redemption, repurchase or repayment was (i) made by way of a direct exchange into new Parity Instruments and/or Junior Instruments in an amount which is no more than the amount of the Parity Instruments or Junior Instruments; or (ii) made in connection with a distribution resulting from a nominal value reduction of the Guarantor's ordinary shares; or (iii) made in connection with any employee compensation arrangement; or (iv) was itself mandatory under the terms and conditions of such Parity Instrument or Junior Instrument.

Notwithstanding the provisions above, should the occurrence of the Compulsory Interest Payment Event under section (a) or (b) be in relation to a Parity Instrument, it will only be a Compulsory Interest Payment Event to the extent that it does not in itself cause a Regulatory Event.

5 Satisfaction of Deferred Interest

Interest deferred by the Issuer on an Optional Interest Payment Date or a Solvency Interest Deferral Date will constitute "**Deferred Interest**".

Deferred Interest may at the option of the Issuer be paid in whole or in part, at any time, on giving 10 (ten) Business Days' notice to the Bondholders and the Principal Paying Agent in accordance with Condition X, subject to FINMA's approval if such approval is required as per SPICO or any Future Regulations and subject to no Solvency Event having occurred and which is continuing on the 10th (tenth) Business Day preceding the payment date of the such Deferred Interest and such payment not causing a Solvency Event to occur (in which case the Issuer may only pay an amount other than the Solvency Shortfall). However, Deferred Interest shall become due and payable in full upon any of the following events:

a) the occurrence of a Compulsory Interest Payment Date following the deferral of interest;

b) any redemption of the Bonds (both Optional Redemption or a Special Early Redemption);

c) a decree or order being made by a court or agency or supervisory authority in Switzerland having jurisdiction in respect of the same, or a resolution being passed, for the dissolution (other than pursuant to a merger, consolidation or amalgamation with another entity where the resulting or surviving entity assumes all the obligations of the Issuer in respect of the Bonds), liquidation or winding-up of the Issuer; and

d) the occurrence of the next Optional Interest Payment date upon which the Issuer elects to make an Interest Payment.

Notwithstanding the above, Deferred Interest which becomes due and payable subject to sections (a) and (d) may be subject to FINMA approval if such approval is required as per the SPICO or any Future Regulations.

For the avoidance of doubt, any amount paid to Bondholders on a Solvency Interest Deferral Date will not lead to a required satisfaction of all Deferred Interest. Deferred Interest shall not itself bear interest.

6 Calculation of interest

If any Interest Payment Date falls on a day which is not a Business Day, the relevant payment will be made on the immediately following Business Day. Bondholders shall not be entitled to demand additional interest or any other payment in respect of such delay.

If the amount of interest for an Interest Period is to be calculated for a period of less than 1 (one) year, it shall be calculated on the basis of the number of days elapsed in the relevant interest calculation period divided by 360, the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months (30/360 basis).

Interest will cease to accrue on the Bonds from the date of its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue at the relevant interest rate until the day on which all sums due in respect of the Bonds up to (but excluding) that day are received by or on behalf of the relevant Bondholder.

IV Redemption

1 Redemption at maturity

Unless previously redeemed, exchanged or purchased and cancelled in accordance with the Conditions, the Issuer shall redeem the Bonds (in whole but not in part), in cash, at their principal amount together with any accrued but unpaid interest up to (but excluding) the Final Maturity Date and any Deferred Interest on the Final Maturity Date. The Bonds shall not be redeemed except in accordance with this Condition IV.

The "**Final Maturity Date**" means:

a) if, on or prior to the Scheduled Maturity Date, none of the circumstances described in section (b) below has occurred, the Scheduled Maturity Date; or

b) if, on or prior the Scheduled Maturity Date, a Solvency Event has occurred and is continuing (as evidenced by the absence of any public statement by the Issuer that the Solvency Event has been cured) and FINMA has not given its consent to the redemption of the Bonds on the Scheduled Maturity Date, the Interest Payment Date immediately following the day on which the Solvency Event has ceased to continue and FINMA has given its consent to the redemption of the Bonds.

The "**Scheduled Maturity Date**" means 19 June 2048.

2 Optional redemption

Subject to Condition IV 5, the Issuer may redeem the Bonds (in whole but not in part) on 19 June 2028 (the "**First Call Date**"), or on any Interest Payment Date thereafter subject to having given not less than 30 (thirty), and not more than 60 (sixty), calendar days' prior notice to the Principal Paying Agent and the Bondholders at the Early Redemption Amount (each such redemption an "**Optional Redemption**").

The appropriate redemption notice is a notice given by the Issuer to the Principal Paying Agent and the Bondholders in accordance with Condition X. The notice shall be irrevocable and shall specify the Interest Payment Date on which the Bonds are to be redeemed.

3 Special early redemption

If at any time after the Issue Date a Tax Event, a Rating Agency Event or a Regulatory Event (each a "**Special Redemption Event**" and together the "**Special Redemption Events**") occurs, the Issuer may, subject to Condition IV 5, call and redeem the Bonds (in whole but not in part) subject to having given not less than 30 (thirty), and not more than 60 (sixty), calendar days' prior notice to the Principal Paying Agent and the Bondholders (which notice shall be irrevocable and shall specify the date fixed for redemption) in accordance with Condition X at the Early Redemption Amount (each such redemption a "**Special Early Redemption**").

Any Special Early Redemption will not apply in respect of a Rating Agency Event, if at any time any application of the right to redeem would result in a Regulatory Event.

A "**Tax Event**" means that due to a change in law, ruling or interpretation, the Issuer no longer obtains a tax deduction for the purposes of Swiss corporation tax for any payment of interest by the Issuer on the Bonds, and this cannot be avoided by the Issuer taking such reasonable measures as it (acting in good faith) deems appropriate.

A "**Rating Agency Event**" means at any time, as a consequence of a change on or after the Issue Date in the rating methodology of a Rating Agency, or interpretation of such methodology, in relation to the equity content of securities (such as the Bonds), the equity content, in the reasonable opinion of the Issuer, assigned to the Bonds as of the date of such is lower than the equity content previously assigned by such Rating Agency at or around the Issue Date or when such equity content was assigned at the first time (as applicable).

A "**Regulatory Event**" means the occurrence of any of the following events which occurrence cannot be avoided by the Issuer or the Guarantor, as the case may be, taking such reasonable measures as the Issuer (acting in good faith) deems appropriate:

a) FINMA states that the Bonds are no longer eligible to qualify as lower additional capital (*unteres ergänzendes Kapital*) pursuant to Art. 49 in connection with Art. 22a, 22b and 47 of the SPICO, and no longer fulfil the requirements for such category, or equivalent thereof, for group or solo solvency purposes; or

b) FINMA issues further guidance in relation to instruments qualifying under Art. 22a, 22b and 47 of the SPICO or in any Future Regulations for group or solo solvency purposes (by way of law, ordinance, regulation or a published interpretation thereof), and following which FINMA states that such guidance has an adverse regulatory capital implication for the Issuer in relation to the Bonds.

"**SPICO**" means the Ordinance on the Supervision of Private Insurance Companies (*Verordnung über die Beaufsichtigung von privaten Versicherungsunternehmen – AVO*) of 9 November 2005, as amended.

"**Future Regulations**" means the solvency margin, regulatory capital or capital adequacy regulations (if any) which may be introduced in Switzerland and which are applicable to the Issuer and/or the Guarantor, which would set out the requirements to be satisfied by financial instruments in order that they be eligible to be included in Tier 2 Capital.

"**Tier 2 Capital**" means all items classified as tier two capital (*ergänzendes Kapital*) of the Issuer or the Guarantor as defined in the rules and regulations of FINMA at the time of issuance, comprising upper additional capital (*oberes ergänzendes Kapital*) and lower additional capital (*unteres ergänzendes Kapital*).

"**Early Redemption Amount**" means the aggregate principal amount of the Bonds outstanding on the relevant redemption date plus accrued interest to but excluding the redemption date plus Deferred Interest, if any.

"**Rating Agency**" means Standard & Poor's Credit Market Services Europe Limited, a subsidiary of S&P Global Inc. ("**S&P**") or such other nationally recognized credit rating agency that, from time to time, assumes or performs the function that is performed by S&P as at the Issue Date.

4 Purchase of Bonds

Subject to Condition IV 5, the Issuer, the Guarantor or any other member of the Bâloise group may at any time (subject to mandatory provisions of law) purchase Bonds in the open market or otherwise at any price. Such acquired Bonds may be cancelled, held or resold.

5 Conditions for redemption and repurchases

Any redemption or repurchase of the Bonds by the Issuer, the Guarantor or any other member of the Bâloise group is subject to:

a) the Issuer obtaining prior written consent of FINMA with such notice period as required by applicable regulations at such time;

b) no Solvency Event having occurred, which is continuing at the time of delivery of notice for redemption or at the time of a repurchase and such redemption or repurchase not causing a Solvency Event to occur; and

c) in case of (i) a Special Early Redemption or (ii) a repurchase, that is, in each case, within five years after the Issue Date, such redemption or repurchase being funded out of the proceeds of a new issuance of capital of at least the same quality of the Bonds (at least Tier 2 Capital) and being otherwise permitted under the then applicable rules and regulations.

6 Substitution and modification; substitution of the Issuer

If any Special Redemption Event has occurred and is continuing, the Issuer may at any time, without the consent or approval of the Bondholders, substitute a Bond or the Bonds, or modify the Terms of the Bonds.

Any substitution or modification of the Bonds is conditional on the substituting securities:

a) having terms that are not less favourable to the Bondholders than the terms of the Bonds in any material way;

b) being issued by the Issuer or being issued by another member of the Bâloise group or in the case of a substitution of the Issuer by a successor issuer (each a "New Issuer") with a guarantee by the Guarantor, such that Bondholders have the same material rights and claims as provided by the Bonds and the Guarantee; and

c) ranking or expressed to rank at least equal to the Bonds and featuring the same tenor, denomination, interest rate (including applicable margins), interest payment dates and first call date as the Bonds.

In addition, any substitution or modification is subject to (i) the substitution or modification not affecting the rights to accrued interest and Deferred Interest, if any, unless specifically agreed otherwise; (ii) the prior written notice (if such notice is required to be given) by the Issuer to, and receiving no objection from, the FINMA; (iii) the substitution or modification not itself giving rise to a change in any published rating of the Bonds in effect at such time, it being understood that the Issuer shall (1) in case of a substitution of the Bonds or the Issuer obtain prior written consent of the Rating Agency and (2) give written notice to the Rating Agency of any modification of the Bonds; (iv) the substitution or modification not triggering the right to effectuate a Special Redemption Event; and (v) certification by two executive officers of the Issuer that these conditions have been complied with. In connection with any substitution or modification as indicated above, the Issuer will comply with the rules of any stock exchange on which the Bonds are then listed or admitted for trading.

V Payments

The amounts required for the payment of interest (after deduction of the then applicable Swiss federal withholding tax and/or after deduction of any other present or future tax or charge, if any, of whatsoever nature required by applicable law to be made) and the principal amount and any other payments in cash to be made under these Terms of the Bonds on the Bonds will be made available in good time in freely disposable CHF, which will be placed at the free disposal of the Principal Paying Agent in Switzerland.

Upon receipt of the funds in Switzerland and under the same conditions as received, the Principal Paying Agent will arrange for payment to the Bondholders.

The Issuer undertakes that payments shall be made in freely disposable CHF without collection cost to the Bondholders, and, unless otherwise provided for by applicable law, without any restrictions and whatever the circumstances may be, irrespective of nationality, residence or domicile of the Bondholders and without requiring any affidavit or the fulfilment of any other formality, at the counters of UBS AG.

The receipt by the Principal Paying Agent of funds in CHF in Switzerland from the Issuer shall release the Issuer from its obligations under the Bonds to the extent of amounts received by the Principal Paying Agent.

VI Taxation

All payments of interest on the Bonds are subject to the deduction of the Swiss federal withholding tax (*Verrechnungssteuer*), currently levied at the rate of 35%. Prospective Bondholders should consult their tax advisors on any consequences of any Swiss or foreign tax (e.g. on personal income) if an investment in the Bonds is pursued.

All payments in respect of the Bonds are, regardless of the Swiss federal withholding tax on interest, subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature that the Issuer or the Principal Paying Agent or any other agent or person is required by applicable law to make (if any). In that event, neither the Issuer nor the Principal Paying Agent nor any other agent or person will be obliged to make any additional payments to the Bondholders in respect of such withholding or deduction.

VII No set-off rights

No Bondholder may set off any claims arising under the Bonds against any claims that the Issuer may have against the Bondholder. The Issuer may not set off any claims it may have against any Bondholder against any of its obligations under the Bonds.

VIII Events of default/acceleration

There will be no events of default in respect of the Bonds. In case of the Issuer's failure to discharge its payment obligations relating to interest under the Terms of the Bonds, Bondholders shall have no right to claim or enforce an early redemption of the Bonds. In particular, Bondholders shall not be entitled, and hereby waive any statutory right conferred to them, to file for the opening of bankruptcy proceedings (*Konkursbegehren*) pursuant to Art. 166 of the Swiss Bankruptcy Code (*Bundesgesetz über Schuldbetreibung und Konkurs*) or to make other filings or motions which, if approved, will lead to a redemption of the Bonds. However, the Bonds shall become immediately due and payable, together with accrued interest thereon, if any, and Deferred Interest, if any, to the date of payment, following a decree or order being made by FINMA, or a resolution being passed, for the opening of bankruptcy proceedings, the dissolution (other than pursuant to a merger, consolidation or amalgamation with another entity where the resulting or surviving entity assumes all the obligations of the Issuer in respect of the Bonds), liquidation or winding-up of the Issuer.

IX Subordinated guarantee

As security for the Bonds, the Guarantor has issued the following unconditional and irrevocable Guarantee:

"**GUARANTEE**

(in the meaning of Article 111 CO, the "**Guarantee**")

1. Being informed that Baloise Life Ltd, Aeschengraben 21, CH-4002 Basel, Switzerland (the "**Issuer**"), issued and sold guaranteed callable subordinated capital securities due 2048 (the "**Bonds**") in the aggregate principal amount of CHF 200,000,000, Bâloise Holding Ltd, Aeschengraben 21, CH-4002 Basel, Switzerland (the "**Guarantor**"), herewith irrevocably and unconditionally, but on a subordinated basis in accordance with subsection (2) below, guarantees to the holders of the Bonds (the "**Bondholders**") in accordance with Article 111 CO, irrespective of the validity of the Bonds, the Bond Purchase and Paying Agency Agreement and waiving all rights of objection and defence arising from the Bonds and the Bond Purchase and Paying Agency Agreement, the due payment of the amounts (including but not limited to, principal and interest). Accordingly, the Guarantor agrees to pay or deliver to UBS AG in its capacity as principal paying agent in respect of the Bonds (the "**Principal Paying Agent**"), on behalf of the Bondholders, within 7 (seven) calendar days after the receipt by the Guarantor of Principal Paying Agent's first written demand for payment and its confirmation in writing that an amount has become due and payable under clause VIII of the terms of the Bonds which is equivalent to the amount claimed under this Guarantee and has remained unpaid on the due date.

2. This Guarantee will constitute a direct, subordinated and unsecured obligation of the Guarantor and rank *pari passu*, without any preference, among such obligations. The claims of the Bondholders under this Guarantee rank on a voluntary or involuntary insolvency, winding-up, liquidation, composition (*Nachlassverfahren*), dissolution (other than pursuant to a merger, consolidation or amalgamation with another entity where the resulting or surviving entity assumes all the obligations of the Guarantor in respect of the Guarantee) or other similar proceedings of or against the Guarantor:

   a) after the claims of any Senior Creditors;

   b) pari passu with any other existing or future direct, subordinated and unsecured obligations of the Guarantor which whether now or in the future are expressed to rank pari passu with the claims of the Bondholders against the Guarantor (the "Parity Obligations"); and

   c) prior to the claims of the holders of all classes of issued shares in the share capital of the Guarantor and any other securities issued by the Guarantor or the Issuer expressed to rank junior to the claims of the Bondholders.

   "**Senior Creditors**" means creditors of the Guarantor (i) who are unsubordinated creditors of the Guarantor, or (ii) whose claims are, or are expressed to be, subordinated (whether only in the event of the liquidation, composition (*Nachlassverfahren*), dissolution or winding-up of the Guarantor or otherwise) to the claims of other unsubordinated creditors of the Guarantor (including all existing and future unsecured, subordinated obligations of the Guarantor (whether actual or contingent)), except those whose claims rank, or are expressed to rank, equally with or junior to the claims of the Bondholders under this Guarantee.

   The subordination provisions set out above are irrevocable. The Guarantor may not create or permit to exist any charge or other interest over its assets to secure the obligations of the Guarantor in respect of this Guarantee.

3. Payments under this Guarantee shall be made in Swiss francs. The receipt by the Principal Paying Agent of funds in Swiss francs in Switzerland from the Guarantor shall release the Guarantor from its obligations under this Guarantee to the extent of amounts received by the Principal Paying Agent.

4. This Guarantee shall give rise to a separate and independent cause of action against the Guarantor and shall apply irrespective of any indulgence granted to the Issuer by the Principal Paying Agent or any Bondholder from time to time and shall continue in full force and effect notwithstanding any judgement or order against the Issuer and/or the Guarantor. However, when enforcing the Guarantee, Bondholders

shall not be entitled, and hereby waive any statutory right conferred to them, to file for the opening of bankruptcy proceedings (*Konkursbegehren*) pursuant to Art. 166 of the Swiss Bankruptcy Code (*Bundesgesetz über Schuldbetreibung und Konkurs*) or to make other filings or motions which, if approved, will have similar effects on the Guarantor.

5. This Guarantee is governed by Swiss law.

6. Any dispute regarding this Guarantee which may arise between the Principal Paying Agent, the Guarantor and the Bondholders shall be submitted to the exclusive jurisdiction of the courts of the city of Zurich, Switzerland, and, if permitted, the Commercial Court of the Canton of Zurich, Switzerland."

The Principal Paying Agent undertakes to call on the Guarantee and to claim from the Guarantor pursuant to the Guarantee any due but unpaid amount. Upon receipt, the Principal Paying Agent undertakes to forward such amount to the Bondholders, who waive all rights of set off with respect to such Bondholders. The Guarantor shall be liable to pay to the Principal Paying Agent all reasonable costs and expenses related to the collection of said amount, including court fees and reasonable legal fees.

X Notices

All notices to Bondholders regarding the Bonds shall be published by the Principal Paying Agent in accordance with the applicable regulations of the SIX Swiss Exchange and shall be valid as soon as published on the internet website of the SIX Swiss Exchange under the section headed "Official Notices" (*www.six-swiss-exchange.com*, where notices are currently published under the address *www.six-swiss-exchange.com/bonds/issuers/official_notices/search_en.html*).

XI Listing

The Issuer will use its reasonable efforts to have the Bonds listed on the SIX Swiss Exchange and to maintain such listing during the whole life of the Bonds (the last trading day will be the second Business Day prior to the date on which the Bonds will be fully redeemed).

XII Prescription

Claims against the Issuer in respect of Bonds will become void unless presented for payment within a period of presently 10 (ten) years (in the case of the principal) and within 5 (five) years (in the case of interest) from the appropriate relevant due date, by virtue of the statute of limitations of Swiss law.

XIII Governing law and jurisdiction

The form, construction and interpretation of the Bonds shall be subject to and governed by Swiss law.

Any dispute which might arise between Bondholders on the one hand and the Issuer on the other hand in connection with the Bonds shall be submitted to the exclusive jurisdiction of the courts of the city of Zurich, Switzerland, and, if permitted, the Commercial Court of the Canton of Zurich, Switzerland.

XIV Amendments

The Principal Paying Agent may, without the consent of the Bondholders, agree to any modification or arrangement of the Terms of the Bonds which, in the opinion of the Principal Paying Agent, is of a formal, minor or technical nature or is made to correct a manifest error.

XV Severability

If at any time any one or more of the provisions of the Terms of the Bonds is or becomes unlawful, invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not be in any way affected or impaired thereby.

USE OF PROCEEDS

The net proceeds of the Offering are expected to be approximately CHF 198,555,000 after deduction of commissions, fees and estimated expenses. The Issuer will use the net cash proceeds of the Offering for general corporate purposes including the granting of loans and/or distribution of dividends to the Guarantor (who may use such funds for general corporate purposes, including the refinancing of outstanding debt instruments or the financing of share buy-backs).

INFORMATION ON THE ISSUER

Company name, legal form, registered office, duration and incorporation

Baloise Life Ltd is a stock corporation (*Aktiengesellschaft*) pursuant to articles 620 et seq. of the Swiss Code of Obligations incorporated under the laws of Switzerland for an unlimited duration with its registered office at Aeschengraben 21, 4002 Basel, Switzerland. It was incorporated 20 March 1883 (date of registration).

Business Purpose

According to Article 2 of the Issuer's articles of incorporation, the business purpose of the Issuer is to transact life insurance and all other types of insurance that a life insurance company may transact in accordance with the relevant statutory provisions, including reinsurance within these classes of insurance. The Issuer may also establish, hold equity interests in and acquire or merge with enterprises in Switzerland and abroad. It may also carry out financing for its own or for third-party accounts and enter into pledges, guarantees and other hedges for other Baloise Group companies. It may grant its direct or indirect shareholders or other Baloise Group companies loans or lines of credit, conclude cash-pooling agreements with them and furnish collateral of all kinds to third parties for their liabilities.

Registration

The Issuer is registered with the commercial register of the Canton of Basel under company registration number CHE-101.305.342.

Financial Statements and Auditors

The financial statements of the Issuer as of and for the years ended 31 December 2016 have been audited by Ernst & Young Ltd, Aeschengraben 9, CH-4002 Basel, as independent auditors. The financial statements of the Issuer as of and for the years ended 31 December 2015 have been audited by PricewaterhouseCoopers Ltd, St. Jakobs-Strasse 25, 4002 Basel, as independent auditors.

Share Capital

As per the date of this Prospectus, the share capital of the Issuer amounts to CHF 50,000,000 divided into 10,000 fully paid-up registered shares, with a par value of CHF 5,000 each.

As of the date of this Prospectus, the Issuer has no authorized capital.

As of the date of this Prospectus, the Issuer has no contingent capital.

Conversion and Option Rights

As per the date of this Prospectus, no option, participation rights or convertible bond issues of the Issuer are outstanding.

Own Equity Securities

As of the date of this Prospectus, the Issuer holds no own equity securities (treasury shares).

Patents and Licenses

The Issuer does not hold and its business does not depend on any patents held by the Issuer and licenses granted by third parties to the Issuer.

Court, arbitral and administrative proceedings

The Issuer is, from time to time, involved in various claims and lawsuits incidental to the ordinary operations of its business. The Issuer is currently not involved in any legal, regulatory or arbitration proceedings which are likely to have a material adverse effect on the financial position of the Issuer nor, as far as the Issuer is aware, are any such proceedings threatened.

Information on the Issuer's most recent business performance

See INFORMATION ON THE GUARANTOR – Information on the Guarantor's most recent business performance.

Business Operations of the Issuer and Position within Baloise Group

The Issuer is a member of Baloise Group whose group structure (including its Board of Directors and corporate executive board) and business operations are described below under "*DESCRIPTION OF BALOISE GROUP*". Within Baloise Group, the Issuer conducts the life insurance business in the business unit Switzerland.

INFORMATION ON THE GUARANTOR

Company name, legal form, registered office, duration and incorporation

Bâloise Holding Ltd is a stock corporation (*Aktiengesellschaft*) pursuant to articles 620 et seq. of the Swiss Code of Obligations incorporated under the laws of Switzerland for an unlimited duration with its registered office in Aeschengraben 21, CH-4002 Basel, Switzerland. It was incorporated on 29 November 1962 (date of registration).

Business Purpose

According to Article 2 of the Guarantor's articles of incorporation, the business purpose of the Guarantor is to ensure the uniform corporate management of all the "Baloise insurance companies". The Guarantor may also establish, hold equity interests in, acquire or merge with enterprises of any kind in Switzerland and abroad.

Registration

The Guarantor is registered with the commercial register of the Canton of Basel under company registration number CHE-102.743.957.

Financial Statements and Auditors

The consolidated financial statements of the Guarantor as of and for the years ended 31 December 2016 have been audited by Ernst & Young Ltd, Aeschengraben 9, CH-4002 Basel, as independent auditors. The consolidated financial statements of the Guarantor as of and for the years ended 31 December 2015 have been audited by PricewaterhouseCoopers Ltd, St. Jakobs-Strasse 25, 4002 Basel, as independent auditors.

Share Capital

As per the date of this Prospectus, the share capital of the Guarantor is CHF 4,880,000, divided into 48,800,000 fully paid-up registered shares, each with a par value of CHF 0.10.

As per the date of this Prospectus, the Guarantor has an authorised share capital in the maximum amount of CHF 500,000 to be increased on or before 28 April 2019 by issuing a maximum of 5,000,000 fully paid-up registered shares with a par value of CHF 0.10 each.

As per the date of this Prospectus, the Guarantor's share capital may be increased by a maximum of CHF 553,071.50 through the issuance of up to 5,530,715 fully paid-up registered shares with a par value of CHF 0.10 each upon the exercise of warrant or conversion rights granted in conjunction with bonds or similar debt instruments of the Guarantor or of Baloise Group companies.

Conversion and Option Rights

As of the date of this Prospectus, no option, participation rights or convertible bond issues of the Guarantor are outstanding.

Own Equity Securities

As of 13 September 2017, the Guarantor directly or indirectly holds 553,945 own equity securities (treasury shares; corresponding to about 1.14% of the share capital of the Guarantor).

Dividends paid by the Guarantor for the last 5 business years

	2012	2013	2014	2015	2016
Dividend per share	CHF 4.50	CHF 4.75	CHF 5.00	CHF 5.00	CHF 5.20

Patents and Licenses

The Guarantor does not hold and its business does not depend on any patents held by the Guarantor and licenses granted by third parties to the Guarantor.

Court, arbitral and administrative proceedings

Baloise Group is, from time to time, involved in various claims and lawsuits incidental to the ordinary operations of its business. Baloise Group is currently not involved in any legal, regulatory or arbitration proceedings which are likely to have a material adverse effect on the financial position of Baloise Group nor, as far as Baloise Group is aware, are any such proceedings threatened.

Information on the Guarantor's most recent business performance

For material developments and financial information relating to the first half of the financial year 2017, see Annex A ("MEDIA RELEASE WITH ANNOUNCEMENT OF FINANCIAL RESULTS AS OF 30 JUNE 2017"). Other than as described in this Prospectus, there have been no material changes in the assets and liabilities, the financial position as well as the profits and losses of Baloise Group since 30 June 2017.

Group Structure and Business Operations

The Guarantor is the top holding company of Baloise Group whose group structure (including its Board of Directors and corporate executive board) and business operations are described below under "*DESCRIPTION OF BALOISE GROUP*".

DESCRIPTION OF BALOISE GROUP

Summary

Located at the heart of Europe, with its head office in Basel, Baloise Group is a provider of prevention, pension, assistance and insurance solutions. Its core markets are Switzerland, Germany, Belgium and Luxembourg. In Switzerland, with Baloise Bank SoBa, Baloise Group also operates as a specialised financial services provider, offering a combination of insurance and banking services. Baloise Group offers pension products to retail customers throughout Europe from its competence centre in Luxembourg.

Baloise Group operates in its core markets through four business units:

- Switzerland;
- Germany;
- Belgium; and
- Luxembourg.

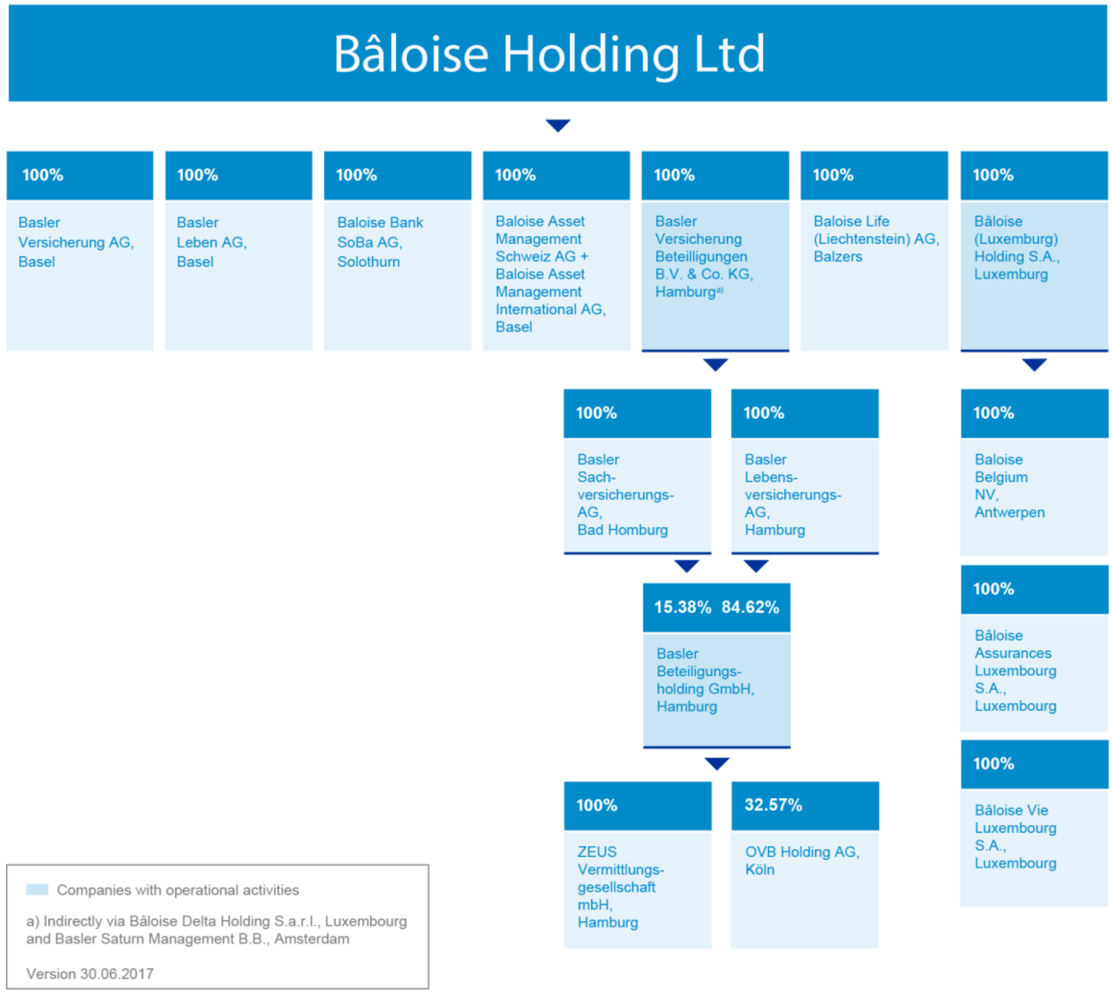
In all core markets, Baloise Group offers life and non-life insurance solutions to its customers. Its core offering in Switzerland is completed by Baloise Bank SoBa's banking services.

The revenue generated by Baloise Group is broken down into the Non-Life, Life, Banking (including asset management) and Other activities operating segments. The Non-Life segment offers accident and health insurance as well as products relating to liability, motor, property and marine insurance. These products are tailored to the specific customer needs – with customer primarily being retail clients – and the core competences of the relevant companies of Baloise Group. The Life segment provides individuals and companies with a wide range of endowment policies, term insurance, investment-linked products and private placement life insurance. The Banking segment essentially comprises Baloise Bank SoBa, which acts as a universal bank in Switzerland, and Deutscher Ring Bausparkasse, which operates in Germany mainly as a conventional building society. The "Other activities" operating segment includes equity investment companies, real estate firms and financing companies.

Group Structure

The Issuer was founded in 1883 as Basler Leben AG. The Guarantor is the top holding company of Baloise Life Ltd and its shares are listed in the main segment of the SIX Swiss Exchange.

In simplified form, the legal structure of Baloise Group as of the date of this Prospectus can be summarised as follows:



Strategy

Baloise Group has launched its new strategy and the associated operating targets up to 2021 under the banner of "Simply Safe". Against a backdrop of changing conditions in the insurance sector, Baloise Group plans to evolve into an innovative provider of solutions that expand its core business and extend beyond traditional insurance. Customer focus is at the core of the new strategy. It aims at addressing the wider needs of customers in a changing society.

Baloise Group actively supports its customers by providing services that go beyond a traditional insurance policy. It knows that the needs of society with regard to security, safety and service are changing in the digital age. In a world full of complexity Baloise Group offers the simplicity that is needed. Customers value Baloise Group's transparent products, its straightforward processes and the way that it's easy to interact with Baloise Group. Baloise Group aims at providing an impeccable level of service, in which everything is centred around the customer. Through its new "Simply Safe" strategy Baloise Group wants to become the first choice for people who want to feel safe and secure.

The "Simply Safe" strategy addresses the following four dimensions:

- Customers;
- Employees;
- Shareholders; and
- Sustainable business management.

It spans across all operating segments and business units of Baloise Group.

Business Units

- ***Switzerland: Basler Versicherungen***

In its domestic market of Switzerland Baloise Group operates under the "Basler Versicherung" ("Baloise Insurance") and "Baloise Bank SoBa" brand names. Basler Switzerland is the largest business unit. As an insurer and focused financial services provider it specialises in delivering comprehensive insurance and pension solutions. Its customers are individuals, small and medium-sized enterprises and selected industrial enterprises. Its insurance sales force is the main sales channel. It is supplemented by a network of distribution partners for certain products and customer segments, by brokers and the internet. Baloise Bank SoBa strengthens the range of pension solutions available by offering banking products that are distributed by the insurance sales force and by the bank itself. It has positioned itself as a universal bank in the northwestern part of Switzerland.

- ***Germany: Basler Versicherungen***

In Germany Baloise Group operates under the "Basler Versicherungen" brand name. Its portfolio comprises insurance and pension solutions in the areas of indemnity, accident and life insurance for individuals, small and medium-sized enterprises and selected industrial companies. Insurance solutions are distributed through its own sales force, via brokers and through its distribution partners maklermanagement.ag, OVB and ZEUS. FRI:DAY is the German branch of the Basler Versicherungen Luxemburg A.G. and is based in Berlin Mitte. Founded in 2017, FRI:DAY provides digitally integrated car insurance services. This modern direct insurer is aimed at individual owners of motor vehicles and operates entirely paperless on a pay-by-month basis.

- ***Belgium: Baloise Insurance***

In the Belgian market Baloise Group has been operating under the "Baloise Insurance" brand name since 2013. Baloise Insurance is one of the leading insurers in Belgium and sees itself as a partner for professional brokers. It offers a full range of property and personal insurance for individuals and for small and medium-sized firms. It is also the leading provider of marine insurance in the Belgian market.

- ***Luxembourg: Baloise Assurances***

Baloise Assurances provides a wide range of insurance, pension and wealth-building products to private and business customers in the Grand Duchy of Luxembourg. Baloise Luxembourg also works closely with certain banking partners and selected distribution partners outside its domestic market to sell wealthbuilding and pension solutions in a number of European Union countries. Baloise Life in Liechtenstein has been managed by Baloise Luxembourg since 2013.

Risk Management

Baloise Group's risk management approach involves managing both risk and value at the same time. Its risk model is based on innovative standards.

Baloise Group's risk management constitutes one of the main pillars of its business model. Forming an integral part of its strategic management policies, risk management makes a significant contribution to the positioning of Baloise Group. As a European insurer with Swiss roots, Baloise Group possesses a strong balance sheet and a high degree of operating earnings power, which it has optimised in terms of the risks that are taken and the upside potential deriving from this business.

On 30 June 2017 Standard & Poor's confirmed Baloise Group's strong rating of "A" with a stable outlook. The rating agency acknowledges the healthy capitalization, high operational profitability and robust competitive position in the core markets. Moreover, Baloise Group's risk management is rated as "strong". The Swiss subsidiary Baloise Insurance Ltd and the Issuer are rated "A with positive outlook".

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

- Risk map;
- Risk governance and risk culture;
- Risk measurement;
- Risk processes; and
- Strategic risk management.

Risk Map

Baloise Group's risk map distinguishes between the following categories of risk to which it is exposed:

- Insurance respectively actuarial risk;
- Market risk;
- Financial-structure risk;
- Business-environment risk;
- Operational risk; and
- Strategic & information risk.

The risk map is firmly embedded in the organizational structure and responsibilities of Baloise Group. Each risk is assigned to a risk owner (with overall responsibility) and to a separate risk controller (responsible for risk management and control).

Risk Governance and Risk Culture

The development and expansion of risk governance and risk culture has a long tradition at Baloise Group. It is constantly working to enhance this culture across the entire organization. Designated risk owners and risk controllers deal with specific risk issues. Committees meet regularly to discuss risks. Baloise Group's risk models and processes are continually refined. The internal control system (ICS), the business continuity management (BCM) and the compliance function are an integrated part of Baloise Group's risk mitigation strategy.

The most senior decision-making body in Baloise Group's risk organisation is the Board of Directors of the Guarantor, while ultimate responsibility for risk control lies with the Board of Directors' Audit and Risk Committee. The Chief Risk Officer of Baloise Group reports regularly to both of these bodies and is partly personally responsible for risk-related issues.

The Board of Directors determines the risk strategy, which is derived from Baloise Group's business strategy and objectives and reflects its risk appetite and risk tolerance. Baloise Group Risk Committee and the local risk committees in each business unit – which comprise members of the Corporate Executive Committee and of the local senior management teams respectively – decide how the risk strategy is developed and designed and how the pertinent policies are implemented in the day-to-day business. Bodies specially set up to examine specific risk areas such as asset/liability management, compliance, IT risk and the use of reserves provide information to the committees to facilitate their decision-making on these issues. Baloise Group's Risk Management team works closely with the local risk experts.

Group Risk Management of Baloise Group is responsible for:

- Developing internal risk models and defining the SST model for the entire Baloise Group;
- Monitoring compliance with Baloise Group-wide risk management standards;
- Reporting risks;
- Complying with risk processes and procedures; and
- Communicating with external partners such as auditors, corporate supervisory bodies and credit rating agencies.

The business units are responsible for the local implementation of the standards and requirements specified by Baloise Group. Overall responsibility lies with Baloise Group's Chief Financial Officer, followed by its Chief Risk Officer.

Risk Measurement

Baloise Group's risk model standardises the process of quantifying business and financial market risks across all strategic business units. It is consistent with the principles and calculation methods applied by the Swiss Solvency Test. For all affiliates which are subject to the Solvency II regime the local risk model is consistent with the principles and calculation methods applied by the European Union's Solvency II directives. The risk model provides the foundation on which management can make strategic and operational decisions.

Risk measurement metrics are used to calculate a target capital figure – irrespective of any financial accounting treatment – with the ultimate objective of ensuring that Baloise Group remains solvent even in adverse circumstances and can meet its obligations to policyholders at all times. Baloise Group constantly compares this target capital figure with the capital currently available.

In addition to the risk model Baloise Group uses the risk map set out above to identify, describe and evaluate specific risks in terms of their likely impact on its operating profit or loss. The corporate database of specific risks – which contains a detailed description of the risks concerned, their classification on the risk map, and early-warning indicators – is generated from this standardised process. Baloise Group supplements this description by the risks' probable financial impact on Baloise Group's balance sheet. Each risk is documented together with the measures needed to mitigate it.

Risk Processes

Baloise Group uses a system of limits based on economic risk capital in order to mitigate its risks at an aggregate level. This system tracks the risk capital held by Baloise Group and its individual business units on a regular basis. Baloise Group also monitors the various risks individually by imposing limits, as illustrated by the following examples:

- Insurance respectively actuarial risk is determined by underwriting guidelines on which local underwriters base their decisions. A risk metrics analysis of the deductibles payable supplements Baloise Group's key reinsurance strategies.
- Baloise Group uses appropriate reporting procedures to monitor market risk and financial-structure risk across all its investment units. In addition to limits on equity exposures there are guidelines on bond ratings. The applicable "Basel" approach and advanced statistical methods are used to assess credit risk. In addition, Baloise Group uses its risk analysis to monitor the overall solvency position on a monthly basis.
- Baloise Group captures business-environment risk, operational risk and strategic risk on both a standardised and individual basis, and it assesses them in terms of their impact on its capital.

The Own Risk and Solvency Assessment (ORSA), an annual risk report, is discussed with the decision-makers so that suitable measures can be developed. The results of the ORSA are also reported to the supervisory authority. In addition, the Chief Risk Officer's assessment of the risk situation is one of the factors used to determine the total amount of performance pool payments awarded to individual managers in order to ensure risk-relevant behavior of those managers.

Strategic Risk Management

Baloise Group's internal risk model, which uses standard methods to quantify all its business risks and financial market risks, forms the basis for strategic discussions about the risk appetite. The capital requirements derived from this model constitute minimum requirements for Baloise Group's "actual" capital.

This process provides a comprehensive view of Baloise Group's key strategic risks and how they are managed. Baloise Group's strategic risk management is the basis for penetrating new business lines and optimising the risk/return profile of its existing businesses. Profit targets for individual business units that factor in their specific risk situation are a major aspect of this risk management system. These targets form part of the overall objectives agreed with local management teams.

Board of Directors

The articles of incorporation provide that the Board of Directors of the Issuer must consist of at least six members and that the Board of Directors of the Guarantor must consist of at least eight and not more than eleven members elected by the general meeting of shareholders. The term of office is one year and lasts until the next ordinary general meeting. Re-election of members is possible.

The Board of Directors is ultimately responsible for the Issuer's and the Guarantor's strategy and policies and for the supervision of its management. The Board of Directors establishes the strategic, accounting, organisational and financing policies to be followed by the management of the Issuer and the Guarantor, it appoints the executive officers and authorised signatories of the Issuer and the Guarantor and supervises the operations of the Issuer and the Guarantor.

Furthermore, the Board of Directors is entrusted with the preparation of shareholders' meetings and with the carrying out of shareholders' resolutions. The Board of Directors has, in accordance with the articles of incorporation and pursuant to written organizational regulations, delegated the conduct of business operations to the corporate executive board, which remains under its control and supervision. Pursuant to the organizational regulations, the Board of Directors has established the following committees: (i) the chairman's committee; (ii) the investment committee; (iii) the remuneration committee; and (iv) the audit and risk committee.

The Issuer and the Guarantor currently have a Board of Directors of ten members, all of which are non-executive board members. Resolutions of the Board of Directors are adopted with a majority of votes cast. In the event of deadlock, the chairman has the deciding vote. Resolutions may also be adopted by way of written consent (circular resolution).

The members of the Board of Directors are as follows:

Board of Directors of the Issuer and the Guarantor

Name(Nationality)	Position	YearofBirth	Elected
Dr. Andreas Burckhardt (Swiss)	Chairman	1951	1999
Werner Kummer (Swiss)	Vice-Chairman	1947	2000
Dr. med. Georges Antoine de Boccard (Swiss)	Member	1951	2011
Dr. Andreas Beerli (Swiss)	Member	1951	2011
Karin Keller-Sutter (Swiss)	Member	1963	2013
Christoph B. Gloor (Swiss)	Member	1966	2014
Hugo Lasat (Belgian)	Member	1964	2016
Marie Noëlle Venturi-Zen-Ruffinen (Swiss)	Member	1975	2016
Thomas Pleines (German)	Member	1955	2012
Dr. Thomas von Planta (Swiss)	Member	1961	2017

The business address of the members of the Board of Directors is at Aeschengraben 21, 4002 Basel, Switzerland.

Corporate executive board of the Issuer and the Guarantor

Name(Nationality)	Position	YearofBirth	Elected
Gert De Winter (Belgian)	CEO	1966	2016
Carsten Stolz (German and Swiss)	CFO	1968	2017
Matthias Henny (Swiss)	Head of Asset Management	1971	2017
Thomas Sieber (Swiss)	Head of Corporate Center	1965	2007
Michael Müller (Swiss)	CEO Basler Switzerland	1971	2011

The business address of the members of the corporate executive board is at Aeschengraben 21, 4002 Basel, Switzerland.

SWISS TAXATION

General

This following summary describes the principal tax consequences under the laws of Switzerland of the acquisition, ownership and disposal of the Bonds. This summary is based on the tax laws, regulations and regulatory practices of Switzerland, as in effect on the date hereof, which are subject to change or subject to changes in interpretation, possibly with retroactive effect. Modifications of the applicable legal regulations and/or changes in interpretation may require a re-evaluation of the tax consequences.

The summary below is not a substitute for legal or tax advice sought by interested parties. Bondholders or prospective Bondholders are thus advised to consult their own tax advisors in light of their particular circumstances as to the Swiss tax laws, regulations and regulatory practices that could be relevant for them in connection with acquiring, owning and disposing of the Bonds and receiving interest, principal or other payments under the Bonds.

Income Tax

Bonds held by non-Swiss resident Bondholders

Payments of interest by the Issuer with regard to the Bonds and repayment of principal to, and gain realised on the sale or redemption of the Bonds by a Bondholder who is not a resident of Switzerland and who during the relevant taxation year has not engaged in a trade or business through a permanent establishment or a fixed place of business in Switzerland to which the Bonds are attributable and who is not subject to income taxation in Switzerland for any other reason will not be subject to any Swiss federal, cantonal or communal income tax.

Bonds held by Swiss resident Bondholders as private assets (Privatvermögen)

Individuals who reside in Switzerland and who hold the Bonds as private assets are required to include all payments of interest (including an original issue discount or a repayment premium, if any) with regard to the Bonds by the Issuer, in their personal income tax return and will be taxable on any net taxable income (including the payments of interest with regard to the Bonds) for the relevant tax period.

Swiss resident Bondholders who sell or otherwise dispose of privately held Bonds realise either a tax-free private capital gain or a non-tax-deductible capital loss.

Bonds held as Swiss business assets (Geschäftsvermögen)

Individuals who hold the Bonds as part of their business in Switzerland and Swiss-resident corporate taxpayers and corporate taxpayers residing abroad holding the Bonds as part of a permanent establishment or fixed place of business in Switzerland are in general taxed according to Swiss statutory accounting principles (*Massgeblichkeitsprinzip*) for purposes of Swiss federal, cantonal and municipal income taxes. All payments of interest and any capital gains or losses realised on the sale or redemption of the Bonds must be recognised in the income statement of the Bondholders for the respective tax period and the net taxable earnings will be subject to Swiss federal, cantonal and municipal income taxes.

The same taxation treatment also applies to Swiss-resident individuals who, for income tax purposes, qualify as so-called professional securities dealers (*gewerbsmässige Wertschriftenhändler*) for reasons of, inter alia, frequent dealings and leveraged transactions in securities.

Swiss Withholding Tax

Payments of interest (including an original issue discount or a repayment premium, if any) by the Issuer with regard to the Bonds will be subject to Swiss withholding tax (*Verrechnungssteuer*) at the applicable rate, currently 35%, and the Issuer will be required to withhold such tax at such rate from any payments of interest under the Bonds. Any repayment of the principal amount of the Bonds is exempt from Swiss withholding tax.

Swiss resident beneficiaries of taxable interest with regard to the Bonds are entitled to full subsequent relief of the Swiss withholding tax, either through tax refund or through credit against underlying income tax liability, if they duly report the underlying income in their tax returns or financial statements used for tax purposes, as the case may be. The same holds true for foreign resident investors who hold the Bonds through a permanent business establishment in Switzerland, as defined for tax purposes. Other non-Swiss resident beneficiaries of interest with regards to the Bonds may be entitled to a partial or full refund of the Swiss withholding tax withheld in accordance with any applicable double taxation convention between Switzerland and the beneficiary's country of tax residence.

Stamp Taxes

The issue and redemption of the Bonds by the Issuer are not subject to the Swiss federal issuance stamp tax (*Emissionsabgabe*). A sale or transfer of the Bonds may, however, be subject to the Swiss transfer stamp duty (*Umsatzabgabe*) of 0.15% if such transfer or sale is made by or through the intermediary of a securities dealer resident in Switzerland or Liechtenstein, as defined in the Swiss Stamp Tax Act (*Bundesgesetz über die Stempelabgaben*), and no exception applies. In addition, the sale or transfer of the Bonds by or through a member of the SIX Swiss Exchange may be subject to a stock exchange levy.

Automatic Exchange of Information in Tax Matters

On 19 November 2014, Switzerland signed the Multilateral Competent Authority Agreement (the "**MCAA**"). The MCAA is based on article 6 of the OECD/Council of Europe administrative assistance convention and is intended to ensure the uniform implementation of Automatic Exchange of Information (the "**AEOI**"). The Federal Act on the International Automatic Exchange of Information in Tax Matters (the "**AEOI Act**") entered into force on 1 January 2017. The AEOI Act is the legal basis for the implementation of the AEOI standard in Switzerland. The AEOI is being introduced in Switzerland through bilateral agreements or multilateral agreements. The agreements have, and will be, concluded on the basis of guaranteed reciprocity, compliance with the principle of speciality (i.e. the information exchanged may only be used to assess and levy taxes (and for criminal tax proceedings)) and adequate data protection.

Switzerland has concluded a multilateral AEOI agreement with the EU (replacing the EU savings tax agreement) and has concluded bilateral AEOI agreements with several non-EU countries. Based on such multilateral agreements and bilateral agreements and the implementing laws of Switzerland, Switzerland will begin to collect data in respect of financial assets, including, as the case may be, the Bonds, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals or certain type of entities resident in a EU member state or in a treaty state from, depending on the effectiveness date of the agreement, 2017 or 2018, as the case may be, and begin to exchange it from 2018 or 2019.

Foreign Account Tax Compliance Act (FATCA)

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 impose a new reporting regime and potentially a 30% withholding tax with regard to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" (as defined by FATCA) by entering into an agreement with the IRS to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a "**Recalcitrant Holder**").

The FATCA regime is now in effect for payments from sources within the United States and will apply to certain "foreign passthru payments" made from a Participating FFI to a Recalcitrant Holder or a nonparticipating FFI no earlier than 1 January 2019 (or the date of publication of the final regulations defining "foreign passthru payment" for FATCA purposes).

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI"** (as defined by FATCA) not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

The United States and Switzerland have entered into the U.S.-Switzerland IGA based largely on the "Model 2". The agreement between Switzerland and the United States on cooperation to simplify the implementation of FATCA (the "**FATCA Agreement**") entered into force on 2 June 2014. The Swiss Federal Council brought the corresponding implementing act into force on 30 June 2014. On 8 October 2014, the Swiss Federal Council approved a mandate for negotiations with the United States in order to switch to a "Model 1" IGA.

The Issuer and the Guarantor do not anticipate that they will be obliged to deduct any FATCA Withholding on payments they make on the Bonds. Nevertheless, it is possible that payments made after 31 December 2018 (or the date of publication of the final regulations defining "foreign passthru payment" for FATCA purposes) will be subject to FATCA withholding in respect of the portion of any such payments as are considered to be "foreign passthru payments". Accordingly, the Issuer, the Guarantor, or any other financial institution through which payments on the Bonds are made, may be required to withhold FATCA Withholding on such payments to a nonparticipating FFI or a Recalcitrant Holder.

If a FATCA Withholding were to be deducted or withheld from interest, principal or other payments on the Bonds as a result of FATCA, none of the Issuer, the Guarantor, the Principal Paying Agent, or any other paying agent or person, would, pursuant to the Terms of the Bonds, be required to pay additional amounts as a result of such deduction or withholding.

FATCA is particularly complex and the above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should thus consult their tax advisors on how these rules may apply to the Issuer and to payments they may receive in connection with the Bonds.

RESPONSIBILITY STATEMENT

The Issuer and the Guarantor accept responsibility for all information contained in this Prospectus and have taken reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts, the omission of which would make any statement herein misleading, whether of fact or opinion.

Basel, 15 September 2017

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Baloise Life Ltd

Basel, 15 September 2017

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Bâloise Holding Ltd

ANNEX A: MEDIA RELEASE WITH ANNOUNCEMENT OF FINANCIAL RESULTS AS OF 30 JUNE 2017

Financial results for the first half of 2017

Media information

Excellent half-year result for Baloise

Basel, 30 August 2017

"I am proud of Baloise's performance in the first half of 2017. Profit went up by almost 34 per cent to a robust CHF 299 million. Our profitability continued to improve, and we achieved a combined ratio of below 100 per cent in all national subsidiaries. We entered the new strategic phase with a great deal of ambition, launching numerous product innovations and digitalisation initiatives in the first half of the year. Baloise is on the right track, and I'm looking forward to the remaining months of this year," said Gert De Winter, Group CEO, commenting on Baloise's financial results for the first half of 2017.

2017 half-year financial results at a glance

- **Profit** rises by 33.8 per cent to CHF 298.6 million.
- **Business volume** growth in the target segments; non-life up by 1.0 per cent, traditional life down by 0.2 per cent and investment-type premiums up by 2.9 per cent.
- Strong improvement in the profitability of the **non-life business**.
  Net **combined ratio** of **89.7 per cent** (H1 2016: 92.5 per cent).
  A net combined ratio in **Germany** of 99.5 per cent.
- EBIT of CHF 114.8 million in the **life business** (H1 2016: CHF 45.5 million).
- **New business margin** in the life business climbs to 24.8 per cent, partly due to the improved business mix.
- **Asset management** defies persistently low interest rates, achieving a **net return on insurance assets** of 1.4 per cent.
- **Equity** rises by 2.0 per cent to CHF 5,892.0 million (31 December 2016: CHF 5,773.7 million).
- Around 8 per cent of up to three million treasury shares repurchased under the **share buy-back**.

Overview of operating performance

Profit and business volume

Baloise generated a profit of CHF 298.6 million for the first half of 2017. One of the main reasons for this increase of 33.8 per cent compared with the first half of 2016 was the greatly improved combined ratio in the non-life business, which had been adversely affected by one-off additions to reserves in Germany in the prior-year period. In the life business too, the level of interest rates resulted in less strengthening of reserves compared to the first half of 2016. Despite the challenging environment and the sale of a closed life insurance portfolio in Germany, the Baloise Group's business volume continued to grow. At CHF 5,671.0 million, it was 0.8 per cent larger than in the prior-year period. This increase was driven primarily by the target segments, i.e. non-life business and investment-type premiums.

Non-life and life business

The volume of non-life business expanded by 1.0 per cent to CHF 2,149.5 million, despite the negative effects of exchange rates. Adjusted for currency effects, the increase was 1.9 per cent. The excellent net combined ratio of 89.7 per cent for non-life business reflected the strong improvement in profitability, falling by 2.8 percentage points year on year. In all Baloise companies, the net combined ratio for the six-month period was below 100 per cent.

Profit before taxes and borrowing costs (EBIT) in the life business came to CHF 114.8 million (H1 2016: CHF 45.5 million). The main reason for this improvement was more stable interest rates, which resulted in a significant reduction in the strengthening of reserves compared with the first half of last year. Investment-type premiums were up by 2.9 per cent. The premium volume in traditional life insurance business was virtually unchanged. In the German life insurance business, the sale of the closed life insurance portfolio of the German branch of Baloise Life Ltd to the Frankfurter Leben Group is having an adverse impact on growth. The new business margin in the life business advanced to 24.8 per cent (H1 2016: 7.3 per cent), largely because of greatly improved margins in Switzerland, Belgium, and Luxembourg. In Germany, the new business margin is already at a very good level.

Banking & Asset Management

Profit before taxes and borrowing costs (EBIT) in the banking business was down by around a quarter, or CHF 11.6 million, to CHF 41.9 million. This corresponds to the average level in recent years, whereas the figure for the prior-year period had been bolstered by a non-recurring item arising from changes to the pension scheme at Baloise Bank SoBa. The main driving forces in this division are traditionally Baloise Asset Management, whose contribution increased year on year, and Baloise Bank SoBa.

Consolidated equity

Consolidated equity at the end of the first half of the year stood at CHF 5,892.0 million and was therefore 2.0 per cent higher than at the end of last year (31 December 2016: CHF 5,773.7 million). Rating agency Standard & Poor's re-affirmed Baloise's credit rating of 'A' with a stable outlook this year, underlining the Company's healthy capitalisation. Separate credit ratings for the subsidiaries of Baloise have also been issued for the first time. Baloise Belgium NV achieved 'A' with a stable outlook, while the German company Basler Sachversicherungs-AG was awarded 'A-' with a stable outlook. Under the share buy-back programme announced in the spring, around 8 per cent of up to three million shares have been repurchased since April 2017.

Performance and trends in the segments

Non-life business

- **EBIT increased by 25.3 per cent**
- **Significant improvement in profitability, strong net combined ratio of 89.7 per cent**

The non-life business (indemnity and personal insurance) generated EBIT of CHF 261.2 million (H1 2016: CHF 208.4 million), a year-on-year increase of 25.3 per cent. It should be noted that the one-off strengthening of reserves at Basler Germany had depressed EBIT significantly in the prior-year period. The net combined ratio improved to a very good 89.7 per cent (H1 2016: 92.5 per cent). The reasons for this included not only the improvement in Germany but also the very favourable level of claims incurred in the first half of the year and the significant decrease in large claims incurred compared with the first half of 2016. Moreover, the profit on claims reserves was up year on year. The business volume was CHF 2,149.5 million, a rise of 1.0 per cent compared with the corresponding period of 2016 that was achieved despite the negative effect of exchange rates. Non-life business generated growth in all markets.

Life business

- **EBIT contribution of CHF 114.8 million**
- **Growth of 2.9 per cent in the life target segment 'investment-type premiums', with premium income rising to CHF 1,109.7 million**
- **New business margin at a healthy 24.8 per cent**

The life insurance business generated EBIT of CHF 114.8 million (H1 2016: CHF 45.5 million). The main reason for this change was the reduced strengthening of reserves in the life business owing to the level of interest rates. Furthermore, the volume of life business, including investment-type premiums, was up slightly compared with the prior-year period at CHF 3,521.5 million (H1 2016: CHF 3,495.6 million). The group-wide growth of 2.9 per cent in investment-type premiums, which rose particularly strongly in Luxembourg (by 13.7 per cent), had a positive impact. Adjusted for exchange-rate effects, the Group's growth would have been an impressive 4.3 per cent. The further increase in investment-type premiums reflects the strategic focus on modern life products that are not capital-intensive. The sale of the life insurance portfolio of the German branches of Baloise Life Ltd to the Frankfurter Leben Group had an adverse impact on growth. The better business mix and the level of interest rates had a positive influence on the new business margin, which improved to 24.8 per cent (H1 2016: 7.3 per cent).

Banking & Asset Management

- **Solid result for the banking business**

The banking business achieved a healthy profit for the half-year period that was on a par with recent years, generating EBIT of CHF 41.9 million (H1 2016: CHF 53.5 million). In the first half of 2016, this figure had been boosted by a non-recurring item arising from a change in the pension scheme at Baloise Bank SoBa. Once again, Baloise Asset Management and Baloise Bank SoBa were the main drivers of this result. Baloise Asset Management's contribution improved by 2.2 per cent. Baloise Bank SoBa also achieved a good result if the positive non-recurring effect in the prior-year period resulting from the pension scheme changes is disregarded. The profit in the brokerage business and the very favourable level of credit risk contributed to the bank's profit. The ongoing phase of low interest rates resulted in a small decrease in Baloise Bank SoBa's net interest income.

Investments

- **Net return of 1.4 per cent on insurance investments for Asset Management**

Gains on investments amounted to CHF 769.9 million, which was below the level of CHF 930.4 million achieved in the prior-year period. The challenging interest rate environment caused recurring income to fall to CHF 670.7 million (H1 2016: CHF 730.4 million), although around CHF 28.0 million of this decrease was attributable to the transfer of the closed portfolio of the German branch of Baloise Life Ltd to the Frankfurter Leben Group. As reinvestment yields on Swiss bonds remained unattractive, Baloise continued to build up tangible assets offering regular income and currency-hedged investments denominated in US dollars during the reporting period.

The realised gains and losses declined by CHF 142.7 million year on year. Thanks to the uptrend in the equity markets, the gross impairment losses that had to be recognised on financial assets were lower at CHF 20.6 million (H1 2016: CHF 68.4 million). Book gains on real estate again made a positive contribution to earnings, but to a much lesser extent than in the prior-year period. Despite a weaker US dollar and a resurgent euro from the perspective of a Swiss investor, the effect of exchange rates on earnings was low. This was a consequence of the high proportion of currency hedging on investments through the Group. The return on insurance assets was 1.4 per cent (H1 2016: 1.8 per cent).

Switzerland

- **Premium growth of 1.8 per cent**
- **Excellent combined ratio of 81.4 per cent**
- **Increase in customer assets at Baloise Bank SoBa**

The Swiss business once again demonstrated its strength. As well as being highly profitable, it increased its premiums by 1.8 per cent. All divisions – life, non-life, and business involving investment-type premiums – contributed to this growth. EBIT was up by 31.4 per cent to CHF 316.8 million (H1 2016: CHF 241.1 million). This rise in earnings was partly attributable to the very good net combined ratio of 81.4 per cent. The level of large claims decreased. The profit on claims reserves was lower than in the first half of 2016 but remained on a high level.
The volume of business rose to CHF 3,227.4 million (H1 2016: CHF 3,171.7 million). The market environment in Switzerland remains very challenging because of the very low interest rates.

Premium income in the **non-life business** advanced slightly, by 0.3 per cent, to CHF 1,051.7 million. With the exception of general liability and motor vehicle insurance, all sectors contributed to this rise. The expense ratio fell slightly. In line with the strategy, new products for young customers made their market debut in the first half of the year. Other new launches included various insurance policies for personal items and a cyber-insurance product for retail customers. In the second half of 2017, the range of traditional insurance solutions will be expanded to encompass innovative services following the acquisition of MOVU, Switzerland's largest digital platform for home-moving services.

Premium income in the **life business** advanced by 2.5 per cent to CHF 2,124.8 million. This increase was primarily attributable to single premiums, whereas regular premium payments under comprehensive BVG insurance contracts in group life insurance rose only slightly. Single premiums in group life insurance went up as a result of a large contract being signed. The partially autonomous pension solution Perspectiva continues to perform well and again generated significant growth. In individual life insurance, the growth in single premiums was higher than in the first half of 2016. This was mainly attributable to the tranche product Baloise Safe Invest.

Baloise Bank SoBa (all figures reported according to local accounting standards) generated encouraging results in the first half of 2017. Profit for the half year advanced by 1.6 per cent to CHF 13.3 million. The sharp 30 per cent rise in asset management mandates had a positive influence, contributing to the increase in customer assets to CHF 8.9 billion. This is attributable to the collaboration between the bank and the insurance company. Particularly in the current financial market environment, this unparalleled business model offers the best investment variant combining a bank and an insurance company. The very favourable level of credit risk also helped to boost the half-year financial results. As a bank whose main source of earnings is interest income, however, Baloise Bank SoBa continued to face challenging economic conditions.

Germany

- **Combined ratio at 99.5 per cent**
- **Growth in the target segments**

The German business returned to profit in the reporting period following the significant negative effect of strengthening reserves by CHF 54.8 million in the non-life business in the first half of 2016. EBIT amounted to CHF 10.6 million in the first six months of 2017. The net combined ratio in the non-life business was much healthier at 99.5 per cent (H1 2016: 116.3 per cent). This was due to the absence of the one-off strengthening of reserves that had taken place in the first half of 2016 and to a year-on-year reduction in large claims incurred. The non-life business expanded by an encouraging 1.4 per cent. This growth was achieved in the target segments. In local currency terms, premium income was up by 6 per cent in the retail customer segment and by 5 per cent in the SME segment, whereas industrial business registered a year-on-year drop of 13 per cent. The life business generated EBIT of CHF 10.1 million. Its premiums fell by 23.6 per cent, resulting in a business volume of CHF 177.9 million (H1 2016: CHF 232.8 million). The decrease was mainly due to the sale of the closed life insurance portfolio of the German branch of Baloise Life Ltd to the Frankfurter Leben Group. This was completed at the start of February, resulting in the elimination of premiums of almost CHF 50 million. Nevertheless, the increase in new business was encouraging and easily outstripped the growth of the market as a whole.

Belgium

- **Growth of 2.5 per cent in the non-life business**
- **Slightly improved combined ratio of 94 per cent**

The EBIT generated by the Belgian business declined to CHF 56.0 million (H1 2016: CHF 70.1 million). At CHF 759.4 million, the total volume of business was also down year on year (H1 2016: CHF 807.3 million). Premium income in the non-life business, however, went up by 2.5 per cent, with growth in almost all sectors. This business remains highly profitable: the net combined ratio was virtually unchanged, falling by 0.1 percentage points to 94.0 per cent. The life business held steady with a decrease of just 0.2 per cent. Investment-type premiums were down significantly, by 26.9 per cent, as a result of changes in insurance rates. Overall, the Belgian business is in an excellent condition and is a rock-solid pillar of Baloise's ongoing success. The very strong performance of the business is opening up opportunities for us to target further organic and inorganic growth in the Belgian market.

Luxembourg

- **Sharp rise in EBIT to CHF 13.9 million**
- **Business volume up by 11.5 per cent**

EBIT for the Luxembourg business rose substantially to reach CHF 13.9 million (H1 2016: CHF 10.3 million). The total volume of business again increased markedly, coming in at CHF 903.4 million (H1 2016: CHF 810.4 million). Growth in the non-life business held steady. The net combined ratio went up by 2.5 percentage points to 89.7 per cent (H1 2016: 87.2 per cent). This was due to losses on claims reserves, whereas the prior-year period had been exceptionally good. These losses can mainly by explained by the less favourable settlement of past large claims.In the life business, traditional business contracted by 5.5 per cent while investment-type premiums achieved another strong increase of 13.7 per cent. Demand primarily stemmed from France and Portugal. By contrast, the Italian market accounted for the majority of demand for products from Liechtenstein.

In a nutshell

Further information

- **Full details of the financial results for the first half of 2017 can be found at www.baloise.com**

Important dates

- **Wednesday, 30 August 2017:** 2017 half-year financial results
  - 09:30 – 11:00 CET: Conference call for the media
  - 11:00 – 12:30 CET: Conference call for analysts

  Dial-in:
  Europe: +41 (0)58 310 5000

- **Wednesday, 15 November 2017:** Q3 2017 interim statement

Contact

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The Baloise Group is more than just a traditional insurance company. The changing security, safety and service needs of society in the digital age lie at the heart of its business activities. The 7,300 or so employees of Baloise therefore focus on the wishes of their customers. The best possible customer service, combined with innovative products and services, makes Baloise the first choice for people who want to feel 'simply safe'. Located at the heart of Europe, with its head office in Basel, the Baloise Group is a provider of prevention, pension, assistance and insurance solutions. Its core markets are Switzerland, Germany, Belgium and Luxembourg. In Switzerland, with Baloise Bank SoBa, the Group also operates as a specialised financial services provider, offering a combination of insurance and banking services. The Group offers innovative pension products to retail customers throughout Europe from its competence centre in Luxembourg. Bâloise Holding Ltd shares are listed in the main segment of the SIX Swiss Exchange.

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Consolidated financial statements of Baloise Group as of and for the year ended 31 December 2016 including the respective auditor's report and comparative information for the year ended 31 December 2015 (audited).

Statutory financial statements of the Guarantor as of and for the year ended 31 December 2016 including the respective auditor's report and comparative information for the year ended 31 December 2015 (audited).

Financial Report

Consolidated balance sheet

CHF million	Note	31.12.2015 (restated)	31.12.2016
Assets			
Property, plant and equipment	8	399.1	349.3
Intangible assets	9	838.2	836.1
Investments in associates	10	162.3	160.4
Investment property	11	6,251.9	6,817.5
Financial instruments with characteristics of equity	12		
Available for sale		4,443.3	4,357.1
Recognised at fair value through profit or loss		9,327.5	9,948.5
Financial instruments with characteristics of liabilities	12		
Held to maturity		8,549.5	8,224.6
Available for sale		23,024.6	23,806.7
Recognised at fair value through profit or loss		1,674.3	1,735.2
Mortgages and loans	13		
Carried at cost		15,912.6	15,457.7
Recognised at fair value through profit or loss		744.0	897.0
Derivative financial instruments	14	653.9	757.3
Receivables from financial contracts	15		
Carried at cost		9.9	4.2
Recognised at fair value through profit or loss		–	–
Reinsurance assets	16	410.8	415.2
Receivables from reinsurers	17	52.3	47.5
Insurance receivables		389.4	383.5
Receivables from employee benefits	18	1.1	0.8
Other receivables	15	317.5	463.1
Receivables from investments	15	491.3	451.6
Deferred tax assets	19	39.8	69.3
Current income tax assets		49.5	54.1
Other assets	20		
Carried at cost		140.8	187.6
Recognised at fair value through profit or loss		40.2	54.5
Cash and cash equivalents		2,839.8	3,173.3
Non-current assets and disposal groups classified as held for sale	21	2,018.7	1,962.0
Total assets		78,782.3	80,614.3

CHF million	Note	31.12.2015 (restated)	31.12.2016
Equity and liabilities			
Equity			
Share capital	22	5.0	5.0
Capital reserves		253.2	317.3
Treasury shares		– 305.4	– 248.1
Unrealised gains and losses (net)		– 216.5	– 318.4
Retained earnings		5,682.7	5,985.5
Equity before non-controlling interests		5,418.9	5,741.3
Non-controlling interests		34.7	32.4
Total equity		5,453.6	5,773.7
Liabilities			
Technical reserves (gross)	23	45,776.6	46,209.0
Liabilities arising from banking business and financial contracts	24		
With discretionary participation features		1,930.1	2,317.4
Measured at amortised cost		8,299.2	8,000.9
Recognised at fair value through profit or loss		8,782.8	9,999.4
Financial liabilities	25	1,707.8	1,470.4
Provisions	26	94.8	80.0
Derivative financial instruments	14	250.8	299.0
Insurance liabilities	27	1,650.4	1,565.2
Liabilities arising from employee benefits	18	1,355.6	1,463.9
Other accounts payable		440.6	456.6
Deferred tax liabilities	19	909.7	944.9
Current income tax liabilities		85.8	44.3
Other liabilities		81.6	81.3
Liabilities included in non-current assets and disposal groups classified as held for sale	21	1,962.9	1,908.3
Total liabilities		73,328.7	74,840.6
Total equity and liabilities		78,782.3	80,614.3

Consolidated income statement

	Note	2015	2016
CHF million			
Income			
Premiums earned and policy fees (gross)	28	6,832.4	6,680.6
Reinsurance premiums ceded	28	– 148.6	– 168.2
Premiums earned and policy fees (net)	28	6,683.7	6,512.4
Investment income	29	1,521.8	1,476.6
Realised gains and losses on investments	30	386.2	667.2
Income from services rendered	31	112.6	110.1
Share of profit (loss) of associates		36.8	7.1
Other operating income	32	136.6	136.8
Income		8,877.9	8,910.2
Expense			
Claims and benefits paid (gross)	23	– 5,352.4	– 5,664.2
Change in technical reserves (gross)	23	– 1,241.9	– 669.1
Reinsurers' share of claims incurred	23	97.9	108.2
Acquisition costs	33	– 472.4	– 502.9
Operating and administrative expenses for insurance business	33	– 761.3	– 763.9
Investment management expenses	33	– 60.4	– 60.3
Interest expenses on insurance liabilities		– 34.1	– 30.5
Gains or losses on financial contracts	35	– 0.9	– 342.9
Other operating expenses	33	– 333.1	– 300.9
Expense		– 8,158.6	– 8,226.6
Profit before borrowing costs and taxes		719.2	683.6
Borrowing costs	25	– 40.0	– 38.0
Profit before taxes		679.3	645.6
Income taxes	36	– 168.2	– 111.7
Profit for the period		511.1	533.9
Attributable to:			
Shareholders		512.1	534.8
Non-controlling interests		– 1.0	– 0.9
Earnings / loss per share	37		
Basic (CHF)		10.96	11.53
Diluted (CHF)		10.65	11.22

Consolidated statement of comprehensive income

	2015	2016
CHF million		
Profit for the period	511.1	533.9
Items not to be reclassified to the income statement		
Change in reserves arising from reclassification of investment property	0.8	7.9
Change in reserves arising from assets and liabilities of post-employment benefits (defined benefit plans)	33.1	– 153.7
Change arising from shadow accounting	– 39.1	40.5
Deferred income taxes	– 8.5	27.2
Total items not to be reclassified to the income statement	– 13.6	– 78.1
Items to be reclassified to the income statement		
Change in unrealised gains and losses on available-for-sale financial assets	– 882.9	126.6
Change in unrealised gains and losses on associates	– 27.6	– 0.4
Change in hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	– 33.7	– 15.3
Change in reserves arising from reclassification of held-to-maturity financial assets	– 1.7	– 1.1
Change arising from shadow accounting	326.4	– 117.3
Exchange differences	– 130.6	– 2.5
Deferred income taxes	167.9	– 14.8
Total items to be reclassified to the income statement	– 582.2	– 24.9
Other comprehensive income	– 595.8	– 103.0
Comprehensive income	– 84.7	430.9
Attributable to:		
Shareholders	– 80.2	433.0
Non-controlling interests	– 4.5	– 2.0

Consolidated cash flow statement

CHF million	Note	2015	2016
Summary			
Cash flow from operating activities (net)		330.6	715.9
Cash flow from investing activities (net)		−6.5	−58.4
Cash flow from financing activities (net)		−317.8	−307.5
Total cash flow		6.2	350.0
Effect of changes in exchange rates on cash and cash equivalents		−118.2	−16.6
Reclassification to non-current assets and disposal groups classified as held for sale		−17.9	–
Balance of cash and cash equivalents as at 1 January		2,969.6	2,839.8
Balance of cash and cash equivalents as at 31 December		2,839.8	3,173.3
Cash flow from operating activities			
Profit before taxes		679.3	645.6
Adjustments for			
Depreciation, amortisation and impairment of property, plant and equipment and of intangible assets	8/9	70.4	63.1
Realised gains and losses on property, plant and equipment and on intangible assets		−0.3	−0.3
Income from investments in associates		−36.8	−7.1
Realised gains and losses on financial assets, investment property and associates		−375.4	−667.0
Changes in other financial contracts		−111.6	240.3
Changes in technical reserves (gross), including unearned premium reserves		1,178.3	708.9
Interest expenses on reinsurance liabilities		0.0	−0.1
Borrowing costs	25	40.0	38.0
Amortised cost valuation of financial instruments		10.1	9.9
Net change in operating assets and liabilities			
Purchase / sale of investment property		−312.9	−404.2
Purchase / sale of financial assets of an equity nature		−1,275.1	−252.0
Purchase / sale of financial assets of a debt nature		−1,142.7	−168.5
Addition / disposal of mortgages and loans		−262.2	249.8
Addition / disposal of derivative financial instruments		126.8	−237.4
Addition / disposal of financial contracts and liabilities from banking business		1,769.5	874.1
Other changes in assets and liabilities from operating activities		99.8	−225.4
Taxes paid		−126.5	−151.7
Cash flow from operating activities (net)		330.6	715.9

	Note	2015	2016
CHF million			
Cash flow from investing activities			
Purchase of property, plant and equipment	8	−31.4	−16.4
Sale of property, plant and equipment		1.6	0.6
Purchase of intangible assets	9	−28.9	−26.6
Sale of intangible assets		0.1	0.1
Acquisition of companies, net of cash and cash equivalents	39	−6.1	−22.3
Disposal of companies, net of cash and cash equivalents	39	–	–
Purchase of investments in associates		–	–
Sale of investments in associates		22.7	–
Dividends from associates		35.4	6.2
Cash flow from investing activities (net)		−6.5	−58.4
Cash flow from financing activities			
Additions to financial liabilities	25	–	–
Disposals of financial liabilities	25	–	−163.2
Borrowing costs paid		−34.0	−33.4
Purchase of treasury shares		−107.1	−116.5
Sale of treasury shares		58.4	237.9
Cash flow attributable to non-controlling interests		−0.5	−0.3
Dividends paid		−234.7	−232.0
Cash flow from financing activities (net)		−317.8	−307.5
Total cash flow		6.2	350.0
Cash and cash equivalents			
Balance as at 1 January		2,969.6	2,839.8
Change during the financial year		6.2	350.0
Reclassification to non-current assets and disposal groups classified as held for sale		−17.9	–
Effect of changes in exchange rates on cash and cash equivalents		−118.2	−16.6
Balance as at 31 December		2,839.8	3,173.3
Breakdown of cash and cash equivalents at the balance sheet date			
Cash and bank balances		1,765.8	1,935.5
Cash equivalents		–	–
Cash and cash equivalents for the account and at the risk of life insurance policyholders		1,074.0	1,237.8
Balance as at 31 December		2,839.8	3,173.3
Of which: restricted cash and cash equivalents		89.8	105.3
Supplemental disclosures on cash flow from operating activities			
Interest received		926.7	857.3
Dividends received		126.0	141.4
Interest paid		−61.1	−57.4

Consolidated statement of changes in equity

2015	Note	Share capital	Capital reserves	Treasury shares	Other changes in equity	Retained earnings (restated)	Equity before non-controlling interests (restated)	Non-controlling interests	Total equity (restated)
CHF million									
Balance as at 1 January 2015		5.0	246.6	– 250.0	375.8	5,405.2	5,782.6	39.7	5,822.2
Profit for the period		–	–	–	–	512.1	512.1	– 1.0	511.1
Other comprehensive income	38	–	–	–	– 592.3	–	– 592.3	– 3.4	– 595.8
Comprehensive income		–	–	–	– 592.3	512.1	– 80.2	– 4.5	– 84.7
Other changes in equity									
Dividend		–	–	–	–	– 234.7	– 234.7	– 0.5	– 235.1
Capital increase / repayment	22	–	–	–	–	–	–	–	–
Purchase / sale of treasury shares		–	6.6	– 55.4	–	–	– 48.8	–	– 48.8
Cancellation of (treasury) shares		–	–	–	–	–	–	–	–
Increase / decrease in non-controlling interests due to change in the scope of consolidation	39	–	–	–	–	–	–	–	–
Increase / decrease in non-controlling interests due to change in the percentage of shareholding	6	–	–	–	–	–	–	–	–
Balance as at 31 December 2015		5.0	253.2	– 305.4	– 216.5	5,682.7	5,418.9	34.7	5,453.6

2016	Note	Share capital	Capital reserves	Treasury shares	Other changes in equity	Retained earnings (restated)	Equity before non-controlling interests (restated)	Non-controlling interests	Total equity (restated)
CHF million									
Balance as at 1 January 2016		5.0	253.2	– 305.4	– 216.5	5,682.7	5,418.9	34.7	5,453.6
Profit for the period		–	–	–	–	534.8	534.8	– 0.9	533.9
Other comprehensive income	38	–	–	–	– 101.9	–	– 101.9	– 1.1	– 103.0
Comprehensive income		–	–	–	– 101.9	534.8	433.0	– 2.0	430.9
Other changes in equity									
Dividend		–	–	–	–	– 232.0	– 232.0	– 0.3	– 232.2
Capital increase / repayment	22	–	–	–	–	–	–	–	–
Purchase / sale of treasury shares		–	64.1	57.3	–	–	121.4	–	121.4
Cancellation of (treasury) shares		–	–	–	–	–	–	–	
Increase / decrease in non-controlling interests due to change in the scope of consolidation	39	–	–	–	–	–	–	–	–
Increase / decrease in non-controlling interests due to change in the percentage of shareholding	6	–	–	–	–	–	–	–	–
Balance as at 31 December 2016		5.0	317.3	– 248.1	– 318.4	5,985.5	5,741.3	32.4	5,773.7

Notes to the consolidated annual financial statements
Basis of presentation

1. BASIS OF PREPARATION

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

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

At its meeting on 17 March 2017 the Bâloise Holding Ltd Board of Directors approved the annual financial statements and the Financial Report and authorised them for issue. The financial statements have yet to be approved by the Annual General Meeting of Bâloise Holding Ltd.

2. APPLICATION OF NEW FINANCIAL REPORTING STANDARDS AND RESTATEMENTS

2.1 Newly applied IFRSs and interpretations

Currently, there are no requirements to apply any newly applied standards or interpretations that have a material impact on the profit for the period or on balance sheet line items.

2.2 New IFRSs and interpretations not yet applied

The following new standards and interpretations relevant to the Baloise Group have been published by the IASB but have not yet come into effect and, therefore, have not been applied in the 2016 consolidated annual financial statements:

Standard / Interpretation	Content	Applicable to annual periods beginning on or after
IFRS 9	Financial instruments	1.1.2018
IFRS 15	Revenue from contracts with customers	1.1.2018
IFRS 16	Leasing	1.1.2019

IFRS 9 Financial Instruments

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

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

On 12 September 2016, the IASB issued Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (Amendments to IFRS 4). The amendments address concerns arising from implementing the new financial instruments Standard IFRS 9 before implementing the replacement Standard that the Board is developing for IFRS 4.

The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

- give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts Standard is issued; and
- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments Standard IAS 39.

The Baloise Group intends to apply the deferral approach for IFRS 9 with effect from 1 January 2018, which will enable it to adopt IFRS 9 and IFRS 17 simultaneously with effect from 1 January 2021. Analysis has already been carried out to clarify whether the Baloise Group fulfils the conditions for applying this approach. The outcome was positive, and there are no indications that would prevent this exemption being applied.

It is not yet possible to fully assess what impact the amendments to IFRS 9 will have on the Baloise Group's balance sheet and income statement from 2021.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 will replace IAS 18 (Revenue), IAS 11 (Construction Contracts) and a number of other revenue-related interpretations for annual periods beginning on or after 1 January 2018. Application of IFRS 15 is mandatory for all IFRS users and governs almost all contracts with customers. The main exemptions concern leases, financial instruments and insurance contracts. For those customer contracts that are not covered by the aforementioned exemptions, this new standard provides a single, principles-based five-step model to be applied to the relevant contracts with customers. The Baloise Group will apply this standard from 1 January 2018 and currently does not anticipate any material effect on its consolidated financial statements owing to the exemptions for insurance contracts and financial instruments.

IFRS 16 Leases

IFRS 16 applies to all leases (including sub-leases), although certain exceptions are possible. IFRS 16 governs the recognition, measurement, reporting and disclosure requirements in respect of leases in the financial statements of IFRS users. The standard provides a single accounting treatment model for lessees. This model requires lessees to recognise all lease assets and lease liabilities on the balance sheet, unless the term of the lease is twelve months or less or an asset is of low value. Long-term leases on real estate are covered by the definitions in IFRS 16 and, in future, will have to be recognised with a right of use. The Baloise Group plans to apply this standard from 1 January 2019. It is not yet possible to fully assess what impact these amendments will have on the Baloise Group's balance sheet and income statement. The Baloise Group will assess the effect on the balance sheet and income statement in 2017.

2.3 Restatement

The concept for the calculation of the deferred policyholders' dividends in Germany (reserve for premium refunds) was subject to a comprehensive review as at 30 June 2016 and was re-evaluated and adapted. This resulted in a retrospective restatement amounting to CHF 8.7 million, which was recognised in other comprehensive income in the prior period in accordance with IAS 8.

The prior-year figures stated on the balance sheet, in the statement of changes in equity and in the notes to these financial statements have been restated accordingly.

In the German non-life business, the method for calculating deferred acquisition costs was further harmonised in the individual portfolios, which resulted in assets being transferred between intangible assets and other assets on the balance sheet. In the income statement, these effects were recognised for the first time under acquisition costs. This reclassification has no impact on the Group's equity or profit for the period. For the purposes of comparison, the prior-year figures have also been reclassified.

RECONCILIATION OF THE RESTATED IFRS FIGURES: CORRECTION PROVISION FOR PREMIUM REFUNDS

	Consolidated balance sheet as at 1 January 2015			Consolidated balance sheet as at 31 December 2015		
	prior to restatement	correction according to IAS 8	after restatement	prior to restatement	correction according to IAS 8	after restatement
CHF million						
Balance sheet items						
Deferred tax assets	48.3	−1.6	46.7	41.4	−1.6	39.8
Other assets	79,294.1	–	79,294.1	78,742.4	–	78,742.4
Total assets	79,342.3	−1.6	79,340.8	78,783.8	−1.6	78,782.3
Equity	5,831.0	−8.7	5,822.2	5,462.3	−8.7	5,453.6
Technical reserves (gross)	48,738.9	10.7	48,749.7	45,765.8	10.7	45,776.6
Deferred tax liabilities	1,065.5	−3.6	1,061.9	913.3	−3.6	909.7
Other liabilities	23,706.9	–	23,706.9	26,642.4	–	26,642.4
Total liabilities	79,342.3	−1.6	79,340.8	78,783.8	−1.6	78,782.3

3. CONSOLIDATION PRINCIPLES AND ACCOUNTING POLICIES

3.1 Method of consolidation

3.1.1 Subsidiaries

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

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

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

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

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

3.1.2 Structured entities

Structured entities are consolidated provided the conditions of IFRS 10 are met.

3.1.3 Joint arrangements

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

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

3.1.4 Associates

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

3.2 Currency translation

3.2.1 Functional currency and reporting currency

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

3.2.2 Translation of transaction currency into functional currency at Group companies

Income and expenses denominated in foreign currency are translated either at the exchange rate prevailing on the transaction date or at the average exchange rate. Monetary and non-monetary balance sheet items measured at fair value and arising from foreign currency transactions conducted by Group companies are translated at the closing rate. Non-monetary items measured at historical cost are translated at the historical rate. Any resultant exchange differences are recognised in profit or loss. This does not include exchange differences that form part of cash flow hedges and are recognised directly in hedging reserves or are used as hedges of a net investment in a foreign operation.

Exchange differences arising on non-monetary financial instruments recognised at fair value through profit or loss are reported as realised gains or losses on these instruments. Exchange differences on available-for-sale non-monetary financial instruments are recognised in other comprehensive income. Exchange differences arising on available-for-sale monetary financial instruments are recognised in profit or loss.

3.2.3 Translation of functional currency into reporting currency

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

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

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

3.2.4 Key exchange rates

CURRENCY

	Balance sheet		Income statement	
	31.12.15	31.12.16	Ø 2015	Ø 2016
CHF				
1 EUR (euro)	1.09	1.07	1.07	1.09
1 USD (US dollar)	1.00	1.02	0.96	0.99

3.3 Property, plant and equipment

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

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

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

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

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

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

3.4 Leases

3.4.1 The Baloise Group as a lessee

Finance leases: leases on real estate, office furniture, equipment, fixtures, fittings and other tangible assets are classified and treated as finance leases if they transfer to the Baloise Group substantially all the risks and rewards incidental to ownership. The fair value of the leased property or, if lower, the present value of the lease payments is recognised as an asset at the inception of the lease. All lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated so as to produce a constant periodic rate of interest on the remaining balance of the liability; this is reported on the Baloise Group's balance sheet as liabilities arising from banking business and financial contracts. Assets held under finance leases are fully depreciated over the shorter of the lease term and their useful life.

Operating leases: all other leases are classified as operating leases. Lease payments under operating leases are expensed in the income statement on a straight-line basis over the term of the lease.

3.4.2 The Baloise Group as a lessor

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

3.5 Intangible assets

3.5.1 Goodwill

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

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

The present value of future profits on insurance contracts acquired arises from the purchase of life insurance companies or life insurance portfolios. It is initially measured in accordance with actuarial principles and is amortised on a straight-line basis. It is regularly tested for impairment as part of a liability adequacy test (see section 3.18.2 for further details).

3.5.3 Deferred acquisition costs (DACs)

Costs directly incurred by the conclusion of insurance contracts or financial contracts with discretionary participation features (DPFs) – such as commissions – are capitalised and amortised over the term of these contracts or, if shorter, over the premium payment period. Deferred acquisition costs are tested for impairment at each balance sheet date (see section 3.18.3 for further details).

3.5.4 Other intangible assets and internally developed assets

Other intangible assets essentially comprise software, external IT consulting (in connection with software that has been developed), internally developed assets (such as software) and assets identified during the acquisition of entities (such as brands and customer relationships). These assets are recognised at cost and are amortised on a straight-line basis over their useful lives. Intangible assets with indefinite useful lives are not amortised and are carried at cost less accumulated impairment losses.

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

3.6 Investment property

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

3.7 Financial assets

The term "investments" (Kapitalanlagen in German) is used in some places and headings in the Financial Report for clarity's sake. The IFRSs themselves do not define the term "investments" (or Kapitalanlagen). The term "investments" as used in the Financial Report covers financial assets, mortgages and loans, derivative financial instruments, cash, cash equivalents and investment property.

The asset classes covered by the term financial instruments with characteristics of equity are equities, share certificates, units held in equity, bond and real estate 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 liabilities.

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

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

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

3.7.1 Financial assets recognised at fair value through profit or loss

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

3.7.2 Held-to-maturity financial assets

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

3.7.3 Available-for-sale financial assets

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

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

3.7.4 Recognition, measurement and derecognition

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

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

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

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

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

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

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

If such estimates do not enable financial assets to be reliably measured, the assets are recognised at cost (less allowance) and disclosed accordingly.

3.8 Mortgages and loans

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

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

3.9 Receivables

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

3.10 Permanent impairment

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

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

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

Analysts' reports from banks and evaluations by credit rating agencies are also used to assess the need for impairment losses.

If there is objective evidence that loans and receivables or held-to-maturity financial assets may be permanently impaired, the impairment loss represents the difference between the asset's carrying amount and the present value of future cash flows, which are discounted using the financial asset's relevant effective interest rate. If the amount of the impairment loss decreases in a subsequent reporting period and if this decrease can be attributed to an event that has objectively occurred since the impairment was recognised, the previously recognised impairment loss is reversed.

The mortgage portfolio is regularly tested for impairment. If there is objective evidence that the full amount owed under the original contractual terms and conditions or the relevant proceeds of a receivable cannot be recovered, an impairment loss is recognised. Loan exposures are individually evaluated based on the nature of the borrower concerned, its financial position, its credit history, the existence of any guarantors and, where appropriate, the realisable value of any collateral security.

3.10.2 Financial assets measured at fair value

The Baloise Group determines at each balance sheet date whether there is any objective evidence that available-for-sale financial assets may be permanently impaired. This category includes financial instruments with characteristics of equity. An impairment loss must be recognised on financial instruments with characteristics of equity whose fair value at the balance sheet date is more than 50 per cent below their acquisition cost or whose fair value is consistently below their acquisition cost throughout the twelve-month period preceding the balance sheet date. The need for an impairment loss is examined and, where necessary, such a loss is recognised on securities whose fair value at the balance sheet date is between 20 per cent and 50 per cent below their acquisition cost.

If an impairment loss is recognised, the cumulative net loss recognised directly in equity is taken to the income statement.

Impairment losses on available-for-sale financial instruments with characteristics of equity that have been recognised in profit or loss cannot be reversed and taken to income. Any further reduction in the fair value of financial instruments with characteristics of equity on which impairment losses were recognised in previous periods must be charged directly to the income statement.

An impairment loss is recognised on available-for-sale financial instruments with characteristics of liabilities if their fair value is significantly impaired by default risk.

If the fair value of an available-for-sale financial instrument with characteristics of liabilities rises in a subsequent reporting period and this increase can be objectively attributed to an event that has occurred since an impairment loss was recognised in profit or loss, the impairment loss is reversed and taken to income.

3.10.3 Impairment losses on non-financial assets

Goodwill and any assets with indefinite useful lives are tested for impairment at the same time each year or whenever there is objective evidence of impairment. Goodwill is allocated to cash-generating units (CGUs) for the purposes of impairment testing. Insurance companies that sell both life and non-life products (so-called composite insurers) test goodwill for impairment at this level. When impairment tests are performed, a CGU's value in use is determined on the basis of the maximum discounted future cash flows (usually dividends) that could potentially be returned to the parent company. This process takes appropriate account of legal requirements and internally specified capital adequacy limits. The long-term financial planning approved by management forms the basis for this calculation of the value in use for a period of at least three years and no more than five years. These values are extrapolated for the subsequent period using an annual growth rate. The growth rate is based on the expected inflation rates of the individual countries. The discount rates include the risk mark-ups for the individual operating segments. Permanent impairment losses are recognised in the income statement as other operating expenses. All other non-financial assets are tested for impairment whenever there is objective evidence of such impairment.

Impairment losses recognised in previous reporting periods on assets with finite useful lives are reversed if the estimates used to determine the recoverable amount have changed since the most recent impairment loss was recognised. This increase constitutes a reversal of impairment losses. Impairment losses recognised in previous reporting periods on goodwill are not reversed. Impairment losses recognised in previous reporting periods on assets with indefinite useful lives are reversed and taken to income; however, the amount to which they are reversed must be no more than the amount recognised prior to the impairment losses less depreciation or amortisation.

3.11 Derivative financial instruments

Derivative financial instruments include swaps, futures, forward contracts and options whose value is primarily derived from the underlying interest rates, exchange rates, commodity prices or share prices. The acquisition cost of derivatives is usually either very low or non-existent. These instruments are carried at fair value on the balance sheet. At the time they are purchased they are classified as either fair value hedges, cash flow hedges, hedges of a net investment in a foreign operation or trading instruments. Derivative financial instruments that do not qualify as hedges under IFRS criteria despite performing a hedging function as part of the Baloise Group's risk management procedures are treated as trading instruments.

The Baloise Group's hedge accounting system documents the effectiveness of hedges as well as the objectives and strategies pursued with each hedge. Hedge effectiveness is constantly monitored from the time the pertinent derivative financial instruments are purchased. Derivatives that no longer qualify as hedges are reclassified as trading instruments.

3.11.1 Structured products

Structured products are equity instruments or debt instruments 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 bifurcated from the host contract and is separately recognised, measured and disclosed. If the derivative and the host contract are not bifurcated, the structured product is designated as a host contract that is recognised at fair value through profit or loss.

3.11.2 Fair value hedges

When the effective portion of hedges is being accounted for, changes in the fair value of derivative financial instruments classified as fair value hedges – plus the hedged portion of the fair value of the asset or liability concerned – are reported in the income statement. The ineffective portion of hedges is recognised separately in profit or loss.

3.11.3 Cash flow hedges

When the effective portion of hedges is being accounted for, changes in the fair value of derivative financial instruments classified as cash flow hedges are recognised directly in equity. The amounts reported in equity as "unrealised gains and losses (net)" are taken to the income statement at a later date in line with the hedged cash flows. The ineffective portion of hedges is recognised in profit or loss.

If a hedging instrument is sold, terminated or exercised or it no longer qualifies as a hedge, the cumulative gains and losses continue to be recognised directly in equity until the forecasted transaction materialises. If the forecasted transaction is no longer expected to materialise, the cumulative gains and losses recognised in equity are taken to income.

3.11.4 Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation are treated as cash flow hedges. When the effective portion of hedges is being accounted for, gains or losses on hedging instruments are recognised directly in equity. The ineffective portion of hedges is recognised in profit or loss.

If the foreign operation – or part thereof – is sold, the gain or loss recognised directly in equity is taken to the income statement.

3.11.5 Derivative financial instruments that do not qualify as hedges

Changes in the fair value of derivative financial instruments that do not qualify as hedges are recognised in the income statement as "realised gains and losses on investments".

3.12 Netting of receivables and liabilities

Receivables and liabilities are offset against each other and shown as a net figure on the balance sheet provided that an offsetting option is available and the Baloise Group intends to realise these assets and liabilities simultaneously.

3.13 Non-current assets held for sale and discontinued operations

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 – where available – are disclosed in the notes to the Financial Report.

3.14 Cash and cash equivalents

Cash and cash equivalents essentially consist of cash, demand deposits and cash equivalents. Cash equivalents are predominantly short-term liquid investments with residual terms of no more than three months.

3.15 Equity

Equity instruments are classified as equity unless the Baloise Group is contractually obliged to repay them or to cede other financial assets. Transaction costs relating to equity transactions are deducted and all associated income tax assets are recognised as deductions from equity.

3.15.1 Share capital

The share capital shown on the balance sheet represents the subscribed share capital of Bâloise Holding Ltd, Basel. This share capital consists solely of registered shares. No shares carry preferential voting rights.

3.15.2 Capital reserves

Capital reserves include the paid-up share capital in excess of par value (share premium), Bâloise Holding Ltd share options, gains and losses on the purchase and sale of treasury shares and embedded options in Bâloise Holding Ltd convertible bonds.

3.15.3 Treasury shares

Treasury shares held either by Bâloise Holding Ltd or by subsidiaries are shown in the consolidated financial statements at their acquisition cost (including transaction costs) as a deduction from equity. Their carrying amount is not constantly restated to reflect their fair value. If the shares are resold, the difference between their acquisition cost and their sale price is recognised as a change in the capital reserves. Only Bâloise Holding Ltd shares are classified as treasury shares.

3.15.4 Unrealised gains and losses (net)

This item includes changes in the fair value of available-for-sale financial instruments, the net effect of cash flow hedges, the net effect of hedges of a net investment in a foreign operation, exchange differences and gains on the reclassification of the Baloise Group’s owner-occupied property as investment property.

Deductions from these unrealised gains and losses include the pertinent deferred taxes and, in the case of life insurance companies, also the funds that will be used in future to amortise acquisition costs and to finance policyholders’ dividends (shadow accounting).

Any non-controlling interests are also deducted from these items.

3.15.5 Retained earnings

Retained earnings include the Baloise Group’s undistributed earnings and its profit for the period. Dividends paid to the shareholders of Bâloise Holding Ltd are only recognised once they have been approved by the Annual General Meeting.

3.15.6 Non-controlling interests

Non-controlling interests constitute the proportion of Group companies’ equity attributable to third parties outside the Baloise Group on the basis of their respective shareholdings.

3.16 Insurance contracts

An insurance contract is defined as a contract under which one party (the insurer) accepts a significant insurance risk from another party (the policyholder) to pay compensation, should a specified contingent future event (the insured event) adversely affect the policyholder. An insurance risk is any directly insured or reinsured risk that is not a financial risk.

The significance of insurance risk is assessed according to the amount of additional benefits to be paid by the insurer if the insured event occurs.

Contracts that pose no significant insurance risk are financial contracts. Such financial contracts may include a discretionary participation feature (DPF), which determines the accounting policies to be applied.

The effective interest method is generally used to calculate receivables and liabilities arising from financial contracts (DPF included). The effective interest rate is determined as the internal rate of return based on the estimated amounts and timing of the expected payments. If the amounts or timing of the actual payments differ from those expected or if expectations change, the effective interest rate must be re-determined. The deposit account balance is then remeasured as if this new effective interest rate had applied from the outset, and the change in the value of the deposit account is recognised as interest income or interest expense. Otherwise, the insurance cover financed from the deposit account is amortised over the expected term of the deposit account.

The Baloise Group considers an insurance risk to be significant if, during the term of the contract and under a plausible scenario, the payment triggered by the occurrence of the insured event is 5 per cent higher than the contractual benefits payable if the insured event does not occur.

A discretionary participation feature (DPF) exists if the policyholder is contractually or legally entitled to receive benefits over and above the benefits guaranteed and if

- the benefits received are likely to account for a significant proportion of the total benefits payable under the contract
- the timing or amount of the benefits payable is contractually at the discretion of the insurer, and the benefits received are contractually contingent on the performance of either a specified portfolio of contracts or a specified type of contract, on the realised and / or unrealised capital gains on a specified portfolio of investments held by the insurer, or on the profit or loss reported by the insurer.

Captive insurance policies are derecognised from the annual financial statements. This also applies to contracts involving proprietary pension plans, provided that the employees covered by these plans work for the Baloise Group.

In addition, IFRS 4 makes exceptions for the treatment of embedded derivatives that form part of insurance contracts or financial contracts with discretionary participation features. If such embedded derivatives themselves qualify as insurance contracts, they do not have to be either separately measured or disclosed. In the case of the Baloise Group this affects, among other things, certain guarantees provided for annuity conversion rates and further special exceptions such as specific guaranteed cash surrender values for traditional policies.

3.17 Non-life insurance contracts

All standardised non-life products contain sufficient insurance risk to be classified as insurance contracts under IFRS 4. The non-life business conducted by the Baloise Group is broken down into seven main segments:

- Accident
  All standard product lines typical of each relevant market are available in the accident insurance business. The Belgian market and Switzerland in particular also offer specific government-regulated occupational accident products that differ from the other products usually available.
- Health
  The Baloise Group writes health insurance business in Switzerland and Belgium only. The benefits paid by the products in this segment cover the usual cost of treatment and also include a daily sickness allowance; they are available to individuals as well as small and medium-sized businesses in the form of so-called group insurance.

→ General liability
In addition to conventional personal liability insurance the Baloise Group also sells third-party indemnity policies for certain professions. In Switzerland and Germany it offers policies – especially combined products – for small and medium-sized enterprises and for industrial partners that include features such as product liability.

→ Motor
The two standardised products common in the market – comprehensive and third-party liability insurance – are sold in this segment. In some countries there are also products that have been specially designed for collaborations with motoring organisations and individual automotive companies.

→ Fire and other property insurance
In addition to conventional home contents insurance this segment offers an extensive range of property policies that include fire insurance, buildings insurance and water damage insurance in all the varieties commonly available.

→ Marine
Marine insurance is mainly sold in Switzerland and Germany. These products may include a third-party liability component in addition to the usual cargo insurance.

→ Miscellaneous
This category generally comprises small segments such as credit protection insurance and legal expenses insurance. Provided that financial guarantees qualify as insurance contracts, they are treated as credit protection insurance policies.

3.17.1 Premiums

The gross premiums written are the premiums that have fallen due during the reporting period. They include the amount needed to cover the insurance risk plus all surcharges. Premium contributions that are attributable to future reporting periods are deferred by contract and – together with health insurance reserves for old age and any deferred unearned premiums – constitute the unearned premium reserves shown on the balance sheet. Owing to the specific nature of marine insurance, premiums are deferred not by contract but on the basis of estimates. Premiums that are actually attributable to the reporting period are recognised as premiums earned. Their calculation is based on the premiums written and the change in unearned premium reserves.

3.17.2 Claims reserves

At the end of each financial year the Baloise Group attaches great importance to setting aside sufficient reserves for all claims that have occurred by this date.

In addition to the reserves that it recognises in respect of the payments to be made for claims that have occurred, it also sets aside reserves to cover the costs incurred during the claims settlement process. In order to calculate these reserves as realistically as possible, the Baloise Group uses the claims history of recent years, generally accepted mathematical-statistical methods and all the information available to it at the time – especially knowledge about the expertise of those entrusted with the handling of claims.

The total claims reserve consists of three components. Reserves calculated using actuarial methods form the basis of the total claims reserve. The second component comprises reserves for those complex special cases and events that do not lend themselves to purely statistical evaluation. These are generally rare claims that are fairly atypical of the sector concerned – usually sizeable claims whose costs have to be estimated by experts on a case-by-case basis. Neither of these components is subject to discounting. The third component consists of reserves for annuities that are discounted using basic actuarial principles such as mortality and the technical interest rate and are largely derived from claims in the motor, liability and accident insurance businesses.

Actuarial methods are used to calculate by far the largest proportion of claims reserves. To this end, the Baloise Group selects actuarial forecasting methods that are appropriate for each sector, insurance product and existing claims history. Additional market data and assumptions obtained from insurance rates are used if the claims history available on a customer is inadequate. The Baloise Group mainly applies the chain-ladder method, which is the most widely used, tried-and-tested procedure. This method involves estimating the number and amounts of claims incurred over time and the proportion of claims that are reported to the insurer either with a time lag or after the balance sheet date. The proportion of these so-called incurred-but-not-reported (IBNR) claims is exceptionally important, especially in operating segments involving third-party liability insurance. These estimates naturally factor in emerging claims trends as well as recoveries. The mean ratio of costs incurred to claims actually paid is essentially used to calculate reserves for claims handling costs.

The forecasting methods used cannot eliminate all the uncertainties inherent in making predictions about future developments and trends. Nonetheless, systematic monitoring of the reserves recognised in a given financial year enables the Baloise Group to spot discrepancies as soon as possible and, consequently, to adjust the level of reserves and modify the forecasting method where necessary. This analysis is based on the so-called "run-off triangles" presented in aggregated form in section 5.4.5. The relevant calculations for typical property policies such as storm and tempest insurance or home contents insurance are usually based on the payments made over the past ten years. Larger amounts of data and, consequently, claims triangles that go further back in time and are based on both payments and expenses (payments plus reserves) are, of course, used for insurance segments with longer run-off periods, such as third-party liability. To supplement the Baloise Group's various internal control mechanisms, its reserves – and the methods used to calculate them – are regularly reviewed by external specialists. Mention should be made here of the liability adequacy test described in detail in section 3.17.4. The Baloise Group takes great care to ensure that it complies with the pertinent financial reporting standard by performing the regularly required profitability analysis and examining whether, at the balance sheet date, it can actually meet all the liabilities that it has taken on as an insurer. It immediately offsets any shortfall in its reserves that it identifies.

3.17.3 Policyholders' dividends and participation in profits

Insurance contracts can provide customers with a share of the surpluses and profits generated by their policies (especially those arising from their claims history). The expenses incurred by policyholders' dividends and participation in profits are derived from the dividends paid plus the changes in the pertinent reserves.

3.17.4 Liability adequacy test

A liability adequacy test (LAT) is carried out at each balance sheet date to ascertain whether – taking all known developments and trends into consideration – the Baloise Group's existing reserves are adequate.

To this end, all existing reserves – both claims reserves (including reserves for claims handling costs) and annuity reserves in the non-life segment – are first analysed and, if a shortfall is identified, the relevant reserves are then strengthened accordingly. This analysis explicitly includes IBNR claims, thereby ensuring that adequate reserves are available for all claims that have already occurred.

The liability adequacy test required by IFRS must also examine whether the Baloise Group has incurred any further liabilities for subsequent periods (future business) besides all its existing contracts maintained during the reporting period. Such business arises, for example, when contracts are automatically extended at the end of the year on the same terms and conditions. Taking account of all the latest data and trends, Baloise conducts a profitability analysis of its insurance business during the reporting year in order to check whether an adequate level of premiums has been charged and, implicitly, whether these liabilities are therefore covered. This amounts to an analysis of unearned premium reserves and an impairment test of deferred acquisition costs at the same time. If a loss is expected to be incurred (also applies to other loss-making insurance contracts in existence at the balance sheet date), the deferred acquisition costs are initially reduced by the respective amount. If the total amount of deferred acquisition costs is insufficient or if the resultant liability cannot be covered in full, a separate provision for impending losses equivalent to the residual amount is recognised under other technical reserves.

3.18 Life insurance contracts and financial contracts with discretionary participation features

IFRS 4 gives users the option of accounting for insurance contracts and financial contracts with discretionary participation features by continuing to apply the existing accounting policies described in section 1 below both to liabilities and to the assets resulting directly from the pertinent contracts (deferred acquisition costs and present value of future profits from acquired business).

The following life insurance products offered by the Baloise Group contain sufficient insurance risk to be classified as insurance contracts under IFRS 4:

- Endowment policies (both conventional and unit-linked life insurance)
- Swiss group life business (BVG)
- Term insurance
- Immediate annuities
- Deferred annuities with annuity conversion rates that are guaranteed at the time the policy is purchased
- All policy riders such as premium waiver, accidental death and disability.

The accounting policies applied by the Baloise Group are described below.

3.18.1 General accounting policies

The accounting policies applied to traditional life insurance vary according to the type of profit participation agreed. Premiums are recognised as income and benefits are recognised as expense at the time they fall due. The amount of reserves set aside in each case is determined by actuarial principles or by the net premium principle, which ensures that the level of reserves generated from premiums remains consistent over time. The actuarial assumptions used to calculate reserves at the time that contracts are signed either constitute best estimates with explicit safety margins for specific business lines or they are determined in accordance with local loss reserving practice and thus also factor in safety margins. The assumptions used are locked in throughout the term of the contract unless a liability adequacy test reveals that the resultant reserves need to be strengthened after the deferred acquisition costs (DACs) and the present value of future profits (PVFP) on acquired insurance contracts have been deducted. Unearned premium reserves, reserves for final dividend payments and certain unearned revenue reserves (URRs) are also recognised as components of the actuarial reserve.

A liability adequacy test is performed on all life insurance business at each balance sheet date. This involves calculating a reserve at the measurement date that factors in all future cash flows (such as insurance benefits, surpluses and contract-related administrative expenses) based on the best estimates available for the assumptions used at the time. If the minimum reserve calculated in this way for individual business lines exceeds the reserve available at the time, any existing deferred acquisition cost or present value of future profits is reduced and, if this is not enough, the reserve is immediately increased to the minimum level and this increase is recognised in profit or loss.

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

The present value of future profits on insurance contracts acquired constitutes an identifiable intangible asset that arises from the purchase of a life insurance company or life insurance portfolio. It is initially measured in accordance with actuarial principles and is amortised on a straight-line basis. It is regularly tested for impairment as part of a liability adequacy test.

3.18.3 Deferral of acquisition costs

Acquisition costs are deferred. They are amortised either over the premium payment period or over the term of the insurance policy, depending on the type of contract involved. They are tested for impairment as part of a liability adequacy test.

3.18.4 Unearned revenue reserve (URR)

The unearned revenue reserve comprises premiums that are charged for services rendered in future periods. These premiums are deferred and amortised in the same way as deferred acquisition costs.

3.18.5 Policyholders' dividends

A large proportion of life insurance contracts confer on policyholders the right to receive dividends.

Surpluses are reimbursed in the form of increased benefits, reduced premiums or final policyholders' dividends or are accrued at interest to a surplus account. Surpluses already distributed and accrued at interest are reported as policyholders' dividends credited and reserves for future policyholders' dividends (chapter 23). The relevant interest expense is reported as interest expenses on insurance liabilities. Surpluses that have been used to finance an increase in insurance benefits are recognised in actuarial reserves. All investment income derived from unit-linked life insurance contracts is credited to the policyholder.

IFRS 4 introduces the concept of a discretionary participation feature (DPF), which is of relevance not only for the classification of contracts but also for the disclosure of surplus reserves according to policyholders' share of the unrealised gains and losses recognised directly in equity under IFRS and their share of the increases and decreases recognised in profit or loss in the consolidated financial statements compared with the financial statements prepared in accordance with local accounting standards. IFRS 4 states here that the portion of an insurance contract's liability that is attributable to a discretionary participation feature ("DPF component") must be reported separately. This standard does not provide any clear guidance as to how this DPF component should be measured and disclosed.

When accounting for contracts that contain discretionary participation features, the Baloise Group treats measurement differences that are attributable to such contracts and are credited to policyholders according to a legal or contractual minimum quota as a DPF component. Distributable retained earnings and eligible unrealised gains and losses of fully consolidated subsidiaries are allocated pro rata to the DPF components of the life insurance company concerned. The DPF component calculated in this way is reported as part of the reserves for future policyholders' dividends (section 23). These reserves include policyholders' dividends that are unallocated and have been set aside as a reserve under local accounting standards.

If no legal or contractual minimum quota has been stipulated, the Baloise Group defines a discretionary participation feature as the currently available reserve for premium refunds after allowing for final policyholders' dividends. Unless a minimum quota has been stipulated, all other measurement differences between the local and IFRS financial statements are recognised directly in equity.

The applicable minimum quotas prescribed by law, contract or Baloise's articles of association vary from country to country.

Life insurance companies operating in Germany and in some areas of Swiss group life business are required by law to distribute a minimum proportion of their profits to policyholders in the form of dividends.

Policyholders in Germany must receive a share of the profits generated. Any losses incurred are borne by shareholders. Policyholders are entitled to 90 per cent of investment income (minus the technical interest rate), 75 per cent of the net profit on risk exposures and 50 per cent of other surpluses. The articles of association of Basler Lebensversicherungs-AG, Germany, additionally stipulate a minimum quota of 95 per cent for part of its insurance portfolio.

Minimum quotas are also applied to some of the Baloise Group's Swiss occupational pensions (BVG) business, which is subject to the legal quotas of 100 per cent for changes in liabilities and 90 per cent for changes in assets.

3.19 Reinsurance

Reinsurance contracts are insurance contracts between insurance companies and / or reinsurance companies. There must be a transfer of risk for a transaction to be recognised as reinsurance; otherwise the transaction is treated as a financial contract.

Inward reinsurance is recognised in the same period as the initial risk. The relevant technical reserves are reported as gross unearned premium reserves or gross claims reserves for non-life insurance and as gross actuarial reserves for life insurance. In non-life insurance they are estimated as realistically as possible based on empirical values and the latest information available, while in life insurance they are recognised as a reserve to cover the original transaction. Outward reinsurance is the business ceded to insurance companies outside the Baloise Group and includes transactions ceded from direct life and non-life business and from inward insurance.

Assets arising from outward reinsurance are calculated over the same periods and on the same basis as the original transaction and are reported as reinsurance assets (section 16). Impairment losses are recognised in profit or loss for assets deemed to be at risk owing to the impending threat of insolvency.

3.20 Liabilities arising from banking business and financial contracts

3.20.1 With discretionary participation features

Financial contracts with discretionary participation features are capital accumulated by customers that entitles them to receive policyholders' dividends. The accounting principles applied to these financial contracts are the same as those for life insurance contracts; the accounting policies for life insurance are described in section 3.18.

3.20.2 Measured at amortised cost

Liabilities measured at amortised cost include savings deposits, medium-term bonds, mortgage-backed bonds, other liabilities and financial guarantees that do not qualify as insurance contracts. They are initially measured at their acquisition cost (fair value).

The difference between acquisition cost and redemption value is recognised in profit or loss over the term of the liability as "gains or losses on financial contracts" under the amortised-cost method and the effective interest method.

3.20.3 Recognised at fair value through profit or loss

This item includes financial contracts for which the holder bears the entire investment risk as well as banking liabilities that are designated as "at fair value through profit or loss" as part of the Baloise Group's strategy of using natural hedges.

3.21 Financial liabilities

The financial liabilities reported under this line item comprise the bonds issued in the capital markets (except for the bonds issued by the Banking operating segment). Financial liabilities are initially measured at their acquisition cost (fair value). Acquisition cost includes transaction costs.

The difference between acquisition cost and redemption value is recognised in profit or loss over the term of the liability as borrowing costs under the amortised-cost method and the effective interest method.

3.22 Employee benefits

The benefits that the Baloise Group grants to its employees comprise all forms of remuneration that is paid in return for work performed or in special circumstances.

The benefits available include short-term benefits (such as wages and salaries), long-term benefits (such as long-service bonuses), termination benefits (such as severance pay and social compensation plan benefits) and post-employment benefits. The benefits described below may be especially significant owing to their scale and scope.

3.22.1 Post-employment benefits

The main post-employment benefits provided are retirement pensions, employer contributions to mortgage payments and certain insurance benefits. Although these benefits are paid after employees have ceased to work for the Baloise Group, they are funded while the staff members concerned are still actively employed. All the pension benefits currently provided by the Baloise Group are defined benefit plans. The projected unit credit method is used to calculate the pertinent pension liabilities.

Assets corresponding to these liabilities are only recognised if they are ceded to an entity other than the employer (such as a foundation). Such assets are measured at fair value. Changes to assumptions, discrepancies between the planned and actual returns on plan assets, and differences between the benefit entitlements effectively received and those calculated using actuarial assumptions give rise to actuarial gains and losses that must be recognised directly in other comprehensive income.

The Baloise Group's pension plan agreements are tailored to local conditions in terms of enrolment and the range of benefits offered.

3.22.2 Share-based payments

The Baloise Group offers its employees and senior executives the chance to participate in various plans under which shares are granted as part of their overall remuneration packages. The Employee Incentive Plan, Share Subscription Plan, Share Participation Plan and Performance Share Units (PSUs) are measured and disclosed in compliance with IFRS 2 Share-based Payment. Plans that are paid in Bâloise Holding Ltd shares are measured at fair value on the grant date, charged as personnel expenses during the vesting period and recognised directly in equity.

3.23 Provisions

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

3.24 Taxes

Provisions for deferred income 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 income 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 income taxes are calculated, tax loss carryforwards are only recognised to the extent that sufficient taxable profit is likely to be earned in future.

Deferred tax assets and liabilities are offset against each other and shown as a net figure in cases where the criteria for such offsetting have been met. This is usually the case if the tax jurisdiction, the taxable entity and the type of taxation are identical.

3.25 Revenue recognition

Revenue and income are recognised at the fair value of the consideration received or receivable. Intercompany transactions and the resultant gains and losses are eliminated. Recognition of revenue and income is described below.

3.25.1 Income from services rendered

Income from services rendered is recognised in the period in which the service is provided.

3.25.2 Interest income

Interest income from financial instruments that are not recognised at fair value through profit or loss is recognised under the effective interest method. If a receivable is impaired, it is written down to its recoverable amount, which corresponds to the present value of estimated future cash flows discounted at the contract's original interest rate.

3.25.3 Dividend income

Dividend income from financial assets is recognised as soon as a legal entitlement to receive payment arises.

4. KEY ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Baloise Group's consolidated annual financial statements contain assumptions and estimates that can impact on the annual financial statements for the following financial year. Estimates and the exercise of discretion by management are kept under constant review and are based on empirical values and other factors – including expectations about future events – that are deemed to be appropriate on the date that the balance sheet is prepared.

4.1 Fair value of various balance sheet line items

Where available, prices in active markets are used to determine fair value. If no publicly quoted prices are available or if the market is judged to be inactive, fair value is either estimated based on the present value or is determined using measurement methods. These methods are influenced to a large extent by the assumptions used, which include discount rates and estimates of future cash flows. The Baloise Group primarily uses fair values; if no such values are available, it applies its own models. Detailed information about fair value measurement can be found in chapter 5.10.

The following asset classes are measured at fair value:

→ Investment property
  The DCF method is used to determine the fair value of investment property. The assumptions and estimates used for this purpose are described in section 3.6.
→ Financial instruments with characteristics of equity and financial instruments with characteristics of liabilities (available for sale or recognised at fair value through profit or loss)
  Fair value is based on prices in active markets. If no quoted market prices are available, fair value is estimated using generally accepted methods (such as the present-value method), independent assessments based on comparisons with the market prices of similar instruments or the prevailing market situation. Derivative financial instruments are measured using models or on the basis of quoted market prices. If no publicly quoted prices are available for private equity investments, they are measured on the basis of their net asset value using non-public information from independent external providers. These providers use various methods for their estimates (e.g. analysis of discounted cash flows and reference to similar, fairly recent arm's-length transactions between knowledgeable, willing parties). If such estimates do not enable financial assets to be reliably measured, the assets are recognised at cost and disclosed accordingly. Publicly quoted prices are used to determine the fair value of hedge funds. If no such prices are available, prices quoted by independent third parties are used to determine fair value.
→ Mortgages and loans (recognised at fair value through profit or loss)
  Mortgages and loans are designated as "at fair value through profit or loss" as part of the Baloise Group's strategy of using natural hedges. Yield curves are used to measure these portfolios.

The following financial liabilities are measured at fair value:

→ Liabilities arising from banking business and financial contracts (recognised at fair value through profit or loss)
  Liabilities arising from investment-linked life insurance contracts involving little or no transfer of risk are measured at fair value based on the capitalised investments underlying these liabilities.
→ Derivative financial instruments
  Models or quoted market prices are used to determine the fair value of derivative financial instruments.

4.2 Financial instruments with characteristics of liabilities (held to maturity)

The Baloise Group applies the provisions of IAS 39 when classifying non-derivative financial instruments with fixed or determinable payments as "held to maturity". To this end, it assesses its intention and ability to hold these financial instruments to maturity.

If – contrary to its original intention – these financial instruments are not held to maturity (with the exception of specific circumstances such as the disposal of minor investments), the Baloise Group must reclassify all held-to-maturity financial instruments as "available for sale" and measure them at fair value. Chapter 12 contains information on the fair values of the financial instruments with characteristics of liabilities that are classified as "held to maturity".

4.3 Impairment

The Baloise Group determines at each balance sheet date whether there is any objective evidence that financial assets may be permanently impaired.

→ Financial instruments with characteristics of equity (available for sale)

An impairment loss must be recognised on available-for-sale financial instruments with characteristics of equity whose fair value at the balance sheet date is more than 50 per cent below their acquisition cost or whose fair value is consistently below their acquisition cost throughout the twelve-month period preceding the balance sheet date. The Baloise Group examines whether it needs to recognise impairment losses on securities whose fair value at the balance sheet date is between 20 per cent and 50 per cent below their acquisition cost. Such assessments of the need to recognise impairment losses consider various factors such as the volatility of the securities concerned, credit ratings, analysts' reports, economic conditions and sectoral prospects.

→ Financial instruments with characteristics of liabilities (available for sale or held to maturity)

Objective evidence of a financial asset's impairment includes observable data on the following cases:

- Serious financial difficulties on the part of the borrower
- Breaches of contract, such as a borrower in default or arrears with the payment of principal and / or interest
- Greater probability that the borrower will file for bankruptcy or undergo some other form of restructuring
- Observable data that indicates a measurable reduction in the expected future cash flows from a group of financial assets since their initial recognition
- Analysts' reports from banks and evaluations by credit rating agencies are also used to assess the need for impairment losses

→ Mortgages and loans (carried at cost)

The mortgage portfolio is regularly tested for impairment. The methods and assumptions used in these tests are also regularly reviewed in order to minimise any discrepancies between the actual and expected probabilities of default.

4.4 Deferred income taxes

Unused tax loss carryforwards and other deferred tax assets are recognised if it is more likely than not that they will be realised. To this end, the Baloise Group makes assumptions about the recoverability of these tax assets; these assumptions are based on the financial track record and future income of the taxable entity concerned.

4.5 Estimate uncertainties specific to insurance

Estimate uncertainties pertaining to actuarial risk are discussed from chapter 5.4 onwards.

4.6 Provisions

The measurement of provisions requires assumptions to be made about the probability, timing and amount of any outflows of resources embodying economic benefits. A provision is recognised if such an outflow of resources is probable and can be reliably estimated.

4.7 Employee benefits

In calculating its defined benefit obligations towards its employees, the Baloise Group makes assumptions about the expected return on plan assets, the economic benefits embodied in assets, future increases in salaries and pension benefits, the discount rate applicable and other parameters. The most important assumptions are derived from past experience of making estimates. The assumptions factored into these calculations are discussed in chapter 18.2.7.

4.8 Goodwill impairment

Goodwill is tested for impairment in the second half of each year or whenever there is objective evidence of impairment. Such impairment tests involve calculating a value in use that is largely based on estimates such as the financial planning approved by management and the discount rates and growth rates mentioned in chapter 9.

5. MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

The companies in the Baloise Group offer their customers non-life insurance, life insurance and banking products (the latter in Switzerland and, on a restricted basis, in Germany). Consequently, the Baloise Group is exposed to a range of risks.

The main risks in the non-life insurance sector are natural disasters, major industrial risks, third-party liability and personal injury. The insurance business as a whole is examined regularly by means of extensive analytical studies. The results of this analysis are taken into account when setting aside reserves, fixing insurance rates and structuring insurance products and reinsurance contracts. In the non-life sector, studies focusing on the risks arising from natural disasters have been carried out in recent years. On some of them we worked with reinsurance companies and brokers to determine the level of exposure to these risks and the extent of risk transfer required.

The predominant risks in the life insurance sector are the following biometric risks:

- longevity risk (annuities and pure endowment policies),
- mortality risk (whole-life and endowment life insurance),
- disability risk (in the sense of the risk of premiums proving insufficient due to an adverse disability claims history).

Because the Group issues interest rate guarantees, it is also exposed to interest rate risk. There are also implicit financial guarantees and options which also affect liquidity, investment planning and the income generated by Group companies; they include guaranteed surrender prices when policyholders cancel and guaranteed annuity factors on commencement of the payout phase of annuities.

Longevity, mortality and disability rates are risks specific to life insurance and are monitored on an ongoing basis. The companies in the Baloise Group review and analyse mortality rates among their local customer bases, along with the frequency with which policies are cancelled, invalidated and reactivated. For this analysis, they generally use standard market statistics that are compiled by actuaries and include adequate safety margins. The information they gather is used for ensuring that rates are adequate and also for setting aside sufficient reserves to meet future insurance liabilities. Because rates are required by law to be calculated conservatively, and the statistical base is relatively good, the risks in this area are manageable. In the field of annuities, there is an additional trend risk in the form of a steady rise in life expectancy which is resulting in ever longer annuity payout periods. This risk is addressed by the addition of suitable factors to the basis for calculation.

Managing participating insurance contracts is an additional method of mitigating risk. For example, bringing policyholders' dividends into line with altered circumstances as far as permitted by local regulations is one option that could be taken if the risk situation were to change. However, the allocation of surpluses between policyholders and the Company is not only subject to local law, it is also governed by market expectations.

The main risk categories to which the Banking division of the Baloise Group is exposed are credit risk, interest rate risk and liquidity risk. These risks are identified and managed locally by the banks. The loan portfolio is reviewed and analysed on an ongoing basis. A range of tools is used for this purpose, including standardised credit regulations and procedures, scoring and rating procedures, focusing on low-risk markets and the use of an automated arrears system. The information obtained is incorporated into credit decisions. Balance sheet risks (interest rate and liquidity risks) are managed by the bank's asset and liability management (ALM) committee. The data and key figures required are determined and calculated using a specialist IT application.

Deutscher Ring Bausparkasse AG is also exposed to what is known as collective risk, which means that the building society customers are collectively responsible for the fair allocation of home savings contracts over the long term. Mathematical simulations are used to show that this collective responsibility can be met, provided the fluctuation reserve remains at least greater than zero over the long term. Deutscher Ring Bausparkasse uses a simulation model to monitor and manage its collective risk. The model makes a future projection of the building society's total collective holdings on an individual contract basis, incorporating new business scenarios and patterns of behaviour observed in the past.

5.1 Organisation of risk management in the Baloise Group

The Baloise Group's insurance and banking activities in various European countries, as well as its global investments, expose it to market risks such as currency risk, credit risk, interest rate risk and liquidity risk.

The Baloise Group has implemented a comprehensive, Group-wide risk management system in all of its insurance and banking entities. Its Group-wide Risk Management Standards focus on the following areas:

- Organisation and responsibilities
- Methods, regulations and limits
- Risk control

An overall set of rules governs all activities directly connected with risk management and ensures that they are compatible with one another.

At the highest level, internal and external risk bands restrict and manage the overall risks incurred by the Group and the individual business units.

At the level exposed to financial and business risk, various limits and regulations restrict the individual risks that have been identified to a level that is acceptable for the Group, or eliminate them completely.

Within the Group and within each business unit, a risk owner is responsible for each individual risk that has been identified. Risk owners are allocated according to a hierarchy of responsibility. The Group's overall risk owner is the Chief Executive Officer of the Baloise Group. Alongside the risk owners, defined risk controllers are responsible for systematic risk control and risk reporting. When selecting risk controllers, particular care is taken to ensure that their role is independent of the risk they control. Risk control within the Baloise Group focuses on investment risk, business risk (actuarial and banking risks), risks to the Group's financial structure and operational risks including compliance. The Group's overall risk controller is the Chief Executive Officer of the Baloise Group.

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

- Category of risk
- Sub-category of risk
- Type of risk

The business-risk, investment-risk and financial-structure-risk categories relate directly to the Baloise Group's core businesses. These risks are deliberately incurred, managed and optimised by the management team and various risk committees. Analysis of these risks is model-based and it ultimately results in an aggregate overview.

Business-environment risk, operational risk and management and information risk arise as direct or indirect results of the business operations, business environment or strategic activities of each company. Risks of this type are also quantified, assessed and managed.

Because all risks are quantified, it is possible to analyse the relevance of each risk to the overall risk situation of the Baloise Group and / or the individual companies.

The Baloise Group's central risk management team forms part of Corporate Division Finance and reports to the Group Chief Risk Officer, who in turn reports to the Group CFO. It coordinates intra-Group policies, risk reporting and the technical development of suitable risk management processes and tools. Every month, it tracks developments in the financial markets and their impact on the risk portfolio and the individual risk capacity of all the business units and the Group as a whole. The relevant risk owners and risk controllers verify the figures that have been computed and incorporate them into their management decisions.

An annual reporting is undertaken for each identified risk category. To this end, each business unit compiles an ORSA (Own Risk and Solvency Assessment) report. Key figures for the financial and actuarial risks incurred by the Group and each strategic business unit are reported on a monthly basis using a risk control application.

RISK MAP

Business risks	Investment risks	Financial structure risks	Business environment risks	Operational risks	Management / information risks
Technical risks, Life → Parameter risks → Worst-case scenario Technical risks, Non-Life → Premiums → Claims → Worst-case scenario → Creation of provisions Reinsurance → Premiums / rating → Default → Active reinsurance	Market risks → Interest → Shares → Currencies → Real estate → Market liquidity → Derivatives → Alternative investments Credit risks	Asset liability risks → Interest fluctuation risk → (Re) financing, liquidity Concentration of risks → Accumulation risks → Cluster risks Requirements for balance-sheet structure and capital → Solvency ratio → Other regulatory requirements	Changes to regulations Competitive risk External events Investors	IT and data security → Data → Software / hardware / network → Physical reliability → End User Computing Personnel risks → Skills / capacities → Knowledge availability → Incentive systems Legal risks → Contracts → Liability and litigation → Tax Compliance Business processes → Process risks → Project risks → In- / Outsourcing Risk analysis and risk reporting → Risk analysis and risk assessment → Risk reporting	Structure of organisation Corporate culture Strategy → Business portfolio → Risk steering Merger and acquisitions External communication Financial statement, forecast, plan Project portfolio Internal misinformation

5.2 Life and non-life underwriting strategies

The Baloise Group primarily underwrites insurance risk for private individuals and small and medium-sized enterprises in selected countries in mainland Europe. Industrial insurance in the property and third-party liability, marine and technical insurance sectors is largely provided by Baloise Insurance in Basel or its branch in Bad Homburg (Germany) and our Belgian business unit Baloise Insurance Belgium. In this particularly high-risk segment, central management of industrial insurance ensures consistent quality and a high degree of transparency for the business underwritten.

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, and the Corporate Executive Committee is notified of them. 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 and Belgium. The only other comparable underwriting limits in the Group are for marine and liability insurance. Tools for setting the basic premium and for risk-based management of the total portfolio are also used to manage industrial insurance risk.

For its exposure to natural hazards the Baloise Group has purchased reinsurance cover for the whole Group amounting to CHF 250 million and cover for earthquakes amounting to CHF 350 million.

5.3 Life and non-life reinsurance strategies

The Baloise Group's non-life treaty reinsurance for all business units in the Group is structured and placed in the market by Group Reinsurance, part of Corporate Division Finance. When structuring the programme, Group Reinsurance focuses on the risk-bearing capacity of the Group as a whole. To date, the Group has only placed non-proportional reinsurance programmes. The Group's maximum retention for cumulative claims is CHF 20 million. The retentions for individual claims are CHF 16 million for property claims, CHF 15 million for marine claims and CHF 13.7 million on a non-indexed basis for third-party liability claims. The local Baloise Group business units also use additional facultative reinsurance cover on a case-by-case basis. This type of reinsurance is extremely dependent on the individual risk in each case and it is therefore placed by the business units themselves.

Reinsurance contracts may only be entered into with counterparties that have been authorised in advance by Corporate Division Finance. Reinsurers must generally have a minimum rating of A – from Standard & Poor's, but in exceptional cases – and in specific circumstances – a BBB + rating or a comparable rating from another recognised rating agency is permitted. However, these reinsurance contracts are only used for property insurance business that can be settled quickly. This rule does not apply to captives and pools that are active reinsurance companies because they do not generally have ratings.

Reinsurer credit risk is reviewed on a regular basis. A watch list is kept of reinsurers that are bankrupt or in financial difficulties. The list contains details of all relationships the Group has with these reinsurers, receivables due to the Group that are outstanding or have been written off and provisions the Group has recognised. The watch list is updated periodically.

The same requirements for reinsurers apply to life insurance as to non-life insurance, although reinsurance is a less important instrument for ceding risk in life insurance business.

5.4 Non-Life

5.4.1 Actuarial risk

The Baloise Group primarily underwrites insurance risk for private individuals and small and medium-sized enterprises in selected countries in mainland Europe. Business with industrial clients is also conducted in Switzerland and Germany. Underwriting risk is limited by monitoring and adjusting rates and maintaining underwriting policies and limits appropriate to the size of each portfolio and the country in which it is located.

5.4.2 Assumptions

→ Claims reserves and claims settlement
The portfolios on the Group's books must be structured in such a way that the data available is sufficiently homogeneous to enable the use of certain analytical actuarial processes to determine the claims reserves required. One of the assumptions made is that extrapolation of the typical claims settlement pattern of recent years is meaningful. Only cases such as extreme anomalies in settlement behaviour require additional assumptions to be made on a case-by-case basis.

→ Claims handling costs
The ratio of the average claims handling costs incurred in recent years to the payouts made in the same period is used to calculate the level of claims handling reserves to be recognised based on current claims reserves.

→ Annuities
The factors on which annuity calculations are based (mortality tables, interest rates, etc.) are normally specified or approved by the authorities in each country. However, because certain parameters can change relatively quickly, the adequacy of these annuity reserves is reviewed every year (by conducting a liability adequacy test or LAT) and, if there is a shortfall, the reserves are strengthened accordingly.

5.4.3 Changes to assumptions

The assumptions on which claims reserves are based generally remain constant, but the factors on which annuity calculations are based are adjusted from time to time over the years, particularly with regard to the latest longevity data.

5.4.4 Sensitivity analysis

As well as the natural volatility inherent in insurance business, there are parameters for determining technical reserves that can significantly impact on the annual earnings and equity of an insurance company. In the non-life sector, sensitivity analysis has been used to investigate the effect on consolidated annual earnings and consolidated equity exerted by errors in estimating claims reserves – including claims incurred but not reported (IBNR) – and reserves for run-off business.

At the end of 2016, the Baloise Group's total reserves calculated using actuarial methods or recognised separately for special claims (including large claims but not run-off or actuarial reserves for annuities) amounted to CHF 4,324.4 million (2015: CHF 4,372.5 million). A variation of 10 per cent in either direction in the requirement for these reserves would result in a rise or fall of around CHF 316.2 million (2015: CHF 318.6 million) in claims payments (after taxes) before reinsurance.

The reserves in its run-off business mainly arose from liabilities that the Baloise Group had incurred in the London market since the early 1990s, largely third-party liability claims relating to asbestos and environmental damage.

Because of the long settlement period, there is a high degree of uncertainty associated with the calculation of these claims reserves. Both the timing at which cases of this type are identified and their potential loss level are much less certain than any other established claims patterns. Some reserves were calculated using external actuaries' reports in which best-case and worst-case scenarios were analysed. The Baloise Group's minimum reserves policy is based on the average of these two scenarios. It is particularly difficult to assess the level of reserves required for IBNR claims, so further fluctuations cannot be ruled out. According to expert estimates, fluctuations of around 10 per cent can be expected, which is equivalent to around CHF 6.5 million after taxes and before reinsurance (2015: CHF 6.6 million) for this reserve.

5.4.5 Claims settlement

Analysis of gross claims settlement (before reinsurance) broken down by strategic business unit

The proportion reinsured was low and would not affect the information given in the claims settlement tables below.

ESTIMATED CUMULATIVE CLAIMS INCURRED IN SWITZERLAND

	Year in which the claims occurred										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
CHF million											
At the end of the year in which the claims occurred	681.4	641.7	690.7	723.1	777.9	732.2	768.5	733.6	707.8	704.8	–
One year later	693.2	631.4	670.6	685.4	736.5	751.1	768.2	715.7	667.8	–	–
Two years later	686.6	628.6	657.4	675.1	731.0	736.9	764.1	701.2	–	–	–
Three years later	674.2	623.6	641.0	666.9	729.1	726.3	764.7	–	–	–	–
Four years later	662.3	622.6	634.4	659.6	722.7	717.0	–	–	–	–	–
Five years later	655.7	606.8	638.6	653.0	717.3	–	–	–	–	–	–
Six years later	643.7	597.8	632.8	650.4	–	–	–	–	–	–	–
Seven years later	628.5	594.3	617.2	–	–	–	–	–	–	–	–
Eight years later	625.6	580.7	–	–	–	–	–	–	–	–	–
Nine years later	614.0	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	614.0	580.7	617.2	650.4	717.3	717.0	764.7	701.2	667.8	704.8	6,735.1
Claims paid	– 569.5	– 520.7	– 561.9	– 578.8	– 620.2	– 631.7	– 664.1	– 588.5	– 530.4	– 361.4	– 5,627.2
Gross claims reserves	44.5	60.0	55.3	71.6	97.1	85.3	100.6	112.7	137.4	343.4	1,107.9
Gross claims reserves prior to 2007 (including large claims and assumed business)											393.6
Gross provision for annuities (non-life, including IBNR)											804.7
Reinsurers' share											– 20.6
Net claims reserves											2,285.6

For greater clarity, the following analysis of claims trends is shown in euros.

ESTIMATED CUMULATIVE CLAIMS INCURRED IN GERMANY

	Year in which the claims occurred										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
EUR million											
At the end of the year in which the claims occurred	306.7	298.2	288.0	302.5	290.8	297.4	382.9	319.3	319.0	332.6	–
One year later	303.0	296.2	286.4	299.7	297.6	298.4	384.7	330.5	322.3	–	–
Two years later	295.5	299.7	289.0	305.6	300.9	302.5	385.9	334.7	–	–	–
Three years later	294.1	300.3	294.6	305.8	306.6	304.3	397.6	–	–	–	–
Four years later	293.1	301.2	294.8	306.0	309.8	302.6	–	–	–	–	–
Five years later	299.3	300.6	295.1	307.9	311.7	–	–	–	–	–	–
Six years later	299.8	301.4	297.1	305.2	–	–	–	–	–	–	–
Seven years later	303.0	301.2	296.2	–	–	–	–	–	–	–	–
Eight years later	304.2	301.3	–	–	–	–	–	–	–	–	–
Nine years later	303.4	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	303.4	301.3	296.2	305.2	311.7	302.6	397.6	334.7	322.3	332.6	3,207.6
Claims paid	– 300.0	– 296.8	– 289.4	– 296.3	– 297.8	– 290.5	– 360.7	– 283.3	– 250.3	– 149.0	– 2,814.1
Gross claims reserves	3.4	4.5	6.8	8.9	13.9	12.1	36.9	51.4	72.0	183.6	393.5
Gross claims reserves prior to 2007 (including large claims and assumed business)											371.1
Gross provision for annuities (non-life, including IBNR)											156.6
Reinsurers' share											– 288.6
Net claims reserves											632.6

ESTIMATED CUMULATIVE CLAIMS INCURRED IN BELGIUM

	Year in which the claims occurred										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
EUR million											
At the end of the year in which the claims occurred	203.2	205.7	228.0	235.1	308.7	[1] 412.4	[2] 403.6	483.7	459.9	470.3	–
One year later	216.3	215.2	248.5	287.1	[1] 395.1	[2] 426.5	402.5	494.3	476.0	–	–
Two years later	213.1	212.3	252.2	[1] 308.0	[2] 392.2	421.9	398.0	488.7	–	–	–
Three years later	208.7	216.5	[1] 264.5	[2] 304.0	387.9	412.9	396.7	–	–	–	–
Four years later	211.1	[1] 223.0	[2] 254.0	308.1	392.5	410.7	–	–	–	–	–
Five years later	[1] 222.6	[2] 222.5	250.7	306.0	388.6	–	–	–	–	–	–
Six years later	[2] 221.8	226.7	252.5	306.0	–	–	–	–	–	–	–
Seven years later	217.8	223.8	248.5	–	–	–	–	–	–	–	–
Eight years later	219.0	219.8	–	–	–	–	–	–	–	–	–
Nine years later	213.4	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	213.4	219.8	248.5	306.0	388.6	410.7	396.7	488.7	476.0	470.3	3,618.7
Claims paid	– 175.1	– 183.3	– 213.2	– 256.9	– 318.3	– 348.4	– 331.7	– 400.6	– 333.0	– 220.4	– 2,780.9
Gross claims reserves	38.3	36.5	35.3	49.1	70.3	62.3	65.0	88.1	143.0	249.9	837.8
Gross claims reserves prior to 2007 (including large claims and assumed business)											292.4
Gross provision for annuities (non-life, including IBNR)											157.7
Reinsurers' share											– 302.3
Net claims reserves											985.6

1 The increase in the total estimated claims incurred is primarily due to the addition of Avéro Schadevezekering Benelux NV.
2 The increase in the total estimated claims incurred is primarily due to the addition of Nateus NV and Audi NV.

ESTIMATED CUMULATIVE CLAIMS INCURRED IN LUXEMBOURG

	Year in which the claims occurred										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
EUR million											
At the end of the year in which the claims occurred	14.2	15.0	17.5	[1] 25.0	[1] 23.6	24.0	23.6	[2] 36.8	[3] 43.8	49.8	–
One year later	13.6	14.9	16.9	[1] 22.0	22.7	24.5	[2] 37.8	[3] 40.8	57.9	–	–
Two years later	13.0	15.1	[1] 21.5	21.8	22.6	[2] 36.5	[3] 41.2	57.1	–	–	–
Three years later	12.9	[1] 20.8	21.3	21.7	[2] 35.3	[3] 39.9	57.7	–	–	–	–
Four years later	[1] 18.9	21.1	21.1	[2] 37.0	[3] 39.7	57.3	–	–	–	–	–
Five years later	18.7	20.9	[2] 36.2	[3] 41.9	57.4	–	–	–	–	–	–
Six years later	18.6	[2] 37.9	[3] 42.0	59.9	–	–	–	–	–	–	–
Seven years later	[2] 35.0	[3] 43.4	60.3	–	–	–	–	–	–	–	–
Eight years later	[3] 40.1	61.8	–	–	–	–	–	–	–	–	–
Nine years later	59.0	–	–	–	–	–	–	–	–	–	–
Estimated claims incurred	59.0	61.8	60.3	59.9	57.4	57.3	57.7	57.1	57.9	49.8	578.2
Claims paid	– 58.6	– 61.3	– 59.4	– 58.9	– 56.2	– 55.9	– 55.5	– 54.3	– 52.3	– 30.4	– 542.8
Gross claims reserves	0.4	0.5	0.9	1.0	1.2	1.4	2.2	2.8	5.6	19.4	35.4
Gross claims reserves prior to 2007 (including large claims and assumed business)											52.6
Gross provision for annuities (non-life, including IBNR)											0.0
Reinsurers' share											– 20.3
Net claims reserves											67.7

1 The increase in the total estimated claims incurred is primarily due to the addition of Bâloise Assurances Luxembourg S.A.
2 The increase in the total estimated claims incurred is primarily due to the addition of P&V Assurances.
3 The increase in the total estimated claims incurred is primarily due to the addition of HDI Gerling Assurances S.A.

Analysis of claims settlement for the "Other units" segment

A large proportion of the reserves relating to this segment is attributable to run-off business. Due to the special nature of this business, it is difficult to conduct meaningful analysis on the basis of our own claims data alone, so the reserves recognised for it are subject to significant uncertainty.

The survival ratio – the ratio of reserves to the average claims paid in the past three years – is a commonly used measure for comparing the adequacy of reserves for asbestos and environmental claims. The ratio shows the number of years for which the reserves will cover claims payments. At the end of the year under review the survival ratio was 55.7 years (2015: 42.7 years).

5.5 Life

5.5.1 Actuarial risk

Traditional life insurance is called fixed-sum insurance because payments are not made for losses. Instead, a fixed sum is paid on occurrence of an insured event, which can be survival or death. In the case of term insurance, capital and / or pension benefits are insured against premature death (whole-life insurance) or disability (disability insurance), while capital redemption insurance focuses on savings for old age. Endowment life insurance combines risk protection with savings.

AVERAGE TECHNICAL INTEREST RATE

31.12.2015 (restated)	Switzerland individual life	Switzerland group life	Germany	Belgium	Luxembourg
CHF million					
Technical reserves without guaranteed returns	656.4	1,887.1	3,337.6	62.2	272.8
Technical reserves with 0 % guaranteed returns	645.7	730.5	74.9	82.7	22.4
Technical reserves with guaranteed positive returns	7,373.6	15,093.9	6,385.6	2,777.8	426.2
Average technical interest rate of guaranteed positive returns	2.6 %	1.5 %	3.3 %	3.5 %	2.6 %

31.12.2016	Switzerland individual life	Switzerland group life	Germany	Belgium	Luxembourg
Technical reserves without guaranteed returns	668.5	2,183.3	3,362.5	112.9	248.3
Technical reserves with 0 % guaranteed returns	621.8	686.3	82.1	91.3	23.3
Technical reserves with guaranteed positive returns	7,095.9	15,461.3	6,365.7	2,766.7	452.6
Average technical interest rate of guaranteed positive returns	2.6 %	1.4 %	3.2 %	3.4 %	2.6 %

The guaranteed technical interest rate is one of the risks inherent in traditional life insurance and group life business.

If interest rates rise, there is the risk that more policies will be cancelled, and the payment of surrender values could cause liquidity problems. This risk can be reduced by imposing surrender charges. In the past, no significant correlation has been observed between rises in interest rates and the number of major policies cancelled.

When interest rates fall, there is the risk that investment income may no longer be sufficient to fund the technical interest rate. This risk can be mitigated by means of asset and liability management (ALM) and, in some cases, by adjusting policyholders' dividends.

Unit-linked life insurance generally involves endowment life insurance or a deferred annuity in which the policyholder has more flexibility regarding the investment process. During the deferment period, unit-linked annuities behave in a similar way to endowment life insurance, but during the payout period the policy converts into a traditional annuity.

If the policyholder dies, the beneficiary receives the sum insured or the fund assets, if the latter exceed the sum insured. A risk premium is periodically charged to the fund to finance the death benefit cover if there is capital at risk (i.e. the positive difference between the sum insured and the fund assets).

Depending on the product, the fund underlying the savings process is selected from a range of funds that match the policyholder's investment profile. The policyholder usually bears the entire investment risk and may benefit from a positive return.

Neither the cash surrender value nor the maturity value of unit-linked life insurance is guaranteed, but the maturity value is partly secured by the choice of fund. The funds are typically those with the type of investment strategy (e.g. the proportion of equities falls if share prices fall) that guarantees the maturity value for a specific policy term. This type of business is offered in Switzerland and Germany. The guaranteed maturity value of these specific life insurance policies may differ somewhat from the fund value because of the way the policies are structured. This risk has been factored into actuarial calculations.

In Switzerland, there is a closed sub-portfolio with a guaranteed interest rate. The guarantee was issued as part of the statutory pension scheme (Pillar 3a). On the endowment date, the policyholder receives the value of the fund units or the net investment premium plus accrued interest at the technical interest rate (3.25 per cent), whichever is the greater. The funds approved for these policies have a low equity ratio and are therefore not exposed to high volatility. A corresponding actuarial reserve has been recognised for the guarantee.

Some closed-end funds in Belgium and Switzerland also offer a guaranteed maturity value. The funds are managed and the guarantees are provided by banks outside the Baloise Group. In Switzerland there is also a closed-end Baloise fund with a guaranteed maturity value which is hedged via investments in bonds issued by banks outside the Group.

The Baloise Group has a number of variable annuities products including unit-linked and, in some cases, guaranteed whole-life annuities in its units in Switzerland and in Luxembourg / Liechtenstein. Financial hedges are provided using external reinsurance.

	Switzerland		Germany		Belgium		Luxembourg	
as at 31.12.	**2015**	2016	**2015**	2016	**2015**	2016	**2015**	2016
CHF million								
Actuarial reserves from unit-linked life insurance contracts	620.2	639.1	1,736.2	1,847.5	15.8	17.4	250.5	223.3

The major risks accruing from term insurance include epidemics and terrorist attacks but also changes in lifestyle such as lack of exercise. Endowment policies incur significant risks arising from the increase in life expectancy, which is likely to continue due to medical advances and rising living standards.

The risks listed above do not vary greatly within this area of activity.

Our group life business in Switzerland and Belgium focuses on the provision of occupational pensions which, like individual life insurance, covers the risks of death, disability and survival. The distinctive feature of group life business is the influence of political decisions. In Switzerland, the government sets the minimum rate of interest to be paid on savings, and the conversion rate at which accumulated capital is converted into an annuity to provide a pension. However, these regulations only apply to the minimum portion of accumulated capital that is required to provide initial finance for an annuity. For the remaining portion, actuarially appropriate annuity conversion rates are used but any change to the minimum interest rate would also affect the existing statutory portfolio, not just new business, which would normally be the case for individual life business. The technical interest rate for Belgian group life business – unlike individual life business – is also set by the government. However, it is the companies – and not their insurers – that are obliged to guarantee this technical interest rate. Baloise Insurance in Belgium offers group life insurance policies with interest rates that are lower than the rate stipulated by the government.

Most disability insurance consists of policy riders (supplementary insurance), i.e. premium waivers should holders of life insurance policies that require periodic payments of premiums become disabled. Separate disability insurance is of minor importance. Measured against total actuarial reserves, disability risk represents around 5 per cent of our business.

	Actuarial reserves 31.12.2015		Actuarial reserves 31.12.2016	
	CHF million	Share (%)	CHF million	Share (%)
Traditional insurance				
Longevity risk	9,818.0	27.4	10,572.4	29.1
Mortality risk	10,266.7	28.7	9,919.2	27.3
Disability risk	1,888.2	5.3	1,772.2	4.9
BVG retirement assets	11,186.4	31.3	11,289.4	31.1
Sub-total	33,159.2	92.7	33,553.2	92.5
Unit-linked				
Longevity risk	1,328.1	3.7	1,417.6	3.9
Mortality risk	1,294.6	3.6	1,309.7	3.6
Sub-total	2,622.7	7.3	2,727.3	7.5
Total	35,781.9	100.0	36,280.5	100.0

Actuarial reserves were allocated to the categories above by product, i.e. each product was assigned a risk category and actuarial reserves were not split into different risks within one product. Allocation to a category was generally determined by the mortality table used in each case.

5.5.2 Assumptions

Actuarial reserves are calculated in accordance with the factors that applied on the date a policy was signed. When setting rates for life insurance products, safety margins are built into these factors to anticipate any adverse trends in the future, principally with regard to technical interest rates and mortality tables. These built-in safety margins, combined with counter-selection effects, explain why annuity tables differ from mortality tables. Cancellations are not factored in when recognising reserves.

The principles applied are reviewed on an ongoing basis by conducting liability adequacy tests (LATs) which ensure that sufficient reserves have been set aside. The underlying assumptions for conducting these tests are best estimates. The two main assumptions for these tests are expected future investment income and mortality rates. Expected future investment income is calculated using the current investment portfolio and the target investment portfolio (strategic asset allocation). The returns on new money invested are based on capital-market interest rates. Depending on the size of the portfolio, mortality rates are based on publicly available tables adjusted to reflect our own experience or on mortality tables produced inhouse.

Cancellations are factored into LATs using assumptions based on the experience of our companies. Changes in assumptions regarding cancellations usually have a negligible impact on LATs.

5.5.3 Sensitivities

Sensitivity analysis shows the consequences of realistic changes in risk parameters to which the Baloise Group is exposed at the balance sheet date. These consequences impact on its consolidated equity and its profit for the period. When sensitivities were investigated, only the assumption being tested was varied. The other parameters were kept constant. One exception to this rule was policyholders' dividends, which were adjusted accordingly. In general, sensitivities do not behave in a linear fashion, so it is not possible to extrapolate from them because they relate to a specific balance sheet date. To identify sensitivities, we investigated the effect of changes in assumptions on profit for the period and on equity, after shadow accounting, deferred gains / losses and deferred taxes (excluding reinsurance effects which were immaterial) had been taken into account. The assumptions on which liability adequacy testing is based were changed for each calculation.

The following scenarios were run:

→ 10 per cent increase in mortality
→ 10 per cent fall in mortality (i. e. increase in longevity)
→ 50 basis-point increase in receipts of new money
→ 50 basis-point fall in receipts of new money

→ 10 per cent increase in mortality

A mortality increase of 10 per cent during liability adequacy testing had only a marginal effect in Germany, Belgium and Luxembourg and at Baloise Life (Liechtenstein) AG. This was true of the impact on both the income statement and on equity. In the Swiss life insurance business, an increase in mortality caused a lower amount to be allocated to strengthen annuity reserves. This effect improved profitability by around CHF 42 million (2015: CHF 17 million). This year-on-year increase was because the discount rate for loss reserves changed more in 2016 than it had in 2015, thus improving profitability to a greater extent.

→ 10 per cent fall in mortality

Similar to the aforementioned scenario of an increase in mortality, the effects of a reduction in mortality were marginal for the life insurance companies in Germany, Belgium and Luxembourg and for Baloise Life (Liechtenstein) AG. This was true of the impact on both the income statement and on equity. A reduction in mortality in the Swiss life insurance business – with policyholders' dividends adjusted accordingly – had a negative impact of approximately CHF 75 million (2015: CHF 69 million) on the income statement. In line with the aforementioned scenario of an increase in mortality, the effect on equity in Switzerland was minor.

→ 50 basis-point increase in receipts of new money
This scenario was based on the assumption that receipts of new money (including amounts reinvested) rose by 50 basis points. When applied to the German units, this scenario resulted in a reversal of DAC write-downs, changes in the financing of final policyholders' dividends, and lower amounts being allocated to the provision recognised for impending losses. This adverse impact was exacerbated by impairment losses on interest rate derivatives. The overall impact was substantially mitigated by the prevailing legal requirements governing the distribution of surpluses. On balance there was a positive effect from the German units' profitability in the reporting year of CHF 2 million (2015: marginal negative effect). The negative impact on equity amounted to approximately CHF 5 million (2015: CHF 5 million). In Belgium this scenario resulted in a slight increase in DACs and to lower amounts being allocated to the provision recognised for impending losses, which constituted a positive effect of roughly CHF 7 million on profitability (2015: CHF 2 million). The negative effect on unrealised gains amounted to CHF 94 million (2015: CHF 86 million). In Luxembourg this scenario produced a marginal positive impact on the income statement and an adverse effect of roughly CHF 14 million (2015: CHF 11 million) on the unrealised gains and losses recognised in equity. The resultant impact on the profitability and equity of Baloise Life (Liechtenstein) AG was negligible. In Switzerland this scenario resulted in a reversal of DAC write-downs, a reduction in technical reserves, and the offsetting effect of interest rate hedges. This improved profitability overall by roughly CHF 4 million (2015: CHF 5 million). The adverse impact on equity amounted to approximately CHF 196 million (2015: CHF 188 million).

→ 50 basis-point fall in receipts of new money
This scenario was based on the assumption that receipts of new money (including amounts reinvested) fell by 50 basis points. When applied to the German units, this scenario resulted in changes in DAC write-downs, changes in the financing of final policyholders' dividends, and the recognition of a provision for impending losses. These adverse effects were more than compensated for by the increase in the fair value of interest rate derivatives in 2016. The overall impact was mitigated by the prevailing legal requirements governing the distribution of surpluses. On balance there was a negative effect from the German units' profitability in the reporting year of approximately CHF 5 million (2015: marginal positive effect). The positive impact on their equity amounted to approximately CHF 5 million (2015: CHF 4 million). In Belgium this scenario resulted in an additional DAC write-down and a larger provision for impending losses. The impact on the income statement was greater than in other countries owing to the business model used. Overall there was a negative effect of CHF 21 million on the income statement (2015: CHF 18 million). This adverse impact was more than compensated for by the positive changes in unrealised gains and losses recognised in equity. The positive effect on unrealised gains amounted to CHF 109 million (2015: CHF 96 million). In Luxembourg this scenario produced a marginal impact on the income statement (2015: marginal negative effect) and a positive effect of roughly CHF 15 million (2015: CHF 13 million) on the unrealised gains and losses recognised in equity. The resultant impact on the profitability and equity of Baloise Life (Liechtenstein) AG was negligible. In Switzerland this scenario resulted in a higher DAC write-down, an increase in technical reserves, and the offsetting effect of interest rate hedges. On balance these interacting factors had an adverse effect of CHF 19 million on the income statement (2015: CHF 46 million). The positive impact on equity amounted to approximately CHF 195 million (2015: CHF 188 million).

5.5.4 Changes to assumptions
Expected future investment income is constantly adjusted in line with market circumstances. It has fallen across all units. Other assumptions, such as cancellation rates and mortality rates, are updated on an ongoing basis.

5.6 Management of market risk

Market risk is reflected by losses that arise from changes or fluctuations in market prices that may result in impairment of the value of assets held. The degree of risk depends on the extent to which market prices fluctuate and on the level of exposure.

As part of their life insurance business, the companies in the Baloise Group also provide investment-linked life insurance contracts for the account of and at the risk of policyholders. The financial liabilities generated in this connection are backed by assets – generally investment fund units – arising from these policies. Because the market risk attaching to the assets underlying these contracts is borne by the policyholder, they are shown separately in the notes to the consolidated annual financial statements.

The following sections specifically address the interest rate risk, currency risk, credit risk, liquidity risk and equity price risk that are relevant to assets held by the Group.

5.6.1 Interest rate risk

Interest rate risk is the risk that a company's interest margin, and therefore its income, may be reduced by fluctuations in money-market and capital-market interest rates (income effect), or that the fair value of a portfolio of interest-rate-sensitive products may decline (asset-price effect). As well as the financial risk generated by holding assets and liabilities with non-matching maturities, variations in accounting policy may result in accounting risk.

Consequently, the impact of a movement in interest rates or in the interest rate curve may be a significant deterioration in terms and conditions if funding has to be rolled over. Benchmark-based maturity management is practised in the non-life units, while maturity management in the life units is driven by liabilities.

As part of the Baloise Group-wide Risk Management Standards, investment planning and appropriate asset and liability management ensure that any divergence in maturities and the interest rate risk incurred are managed within the risk-bearing ability available.

Stress tests are also designed and run for this purpose. They act as an early-warning system and their impact can be simulated for all areas of the Group and their performance.

The effect of stress-testing key financial figures is measured on a monthly basis. The underlying stress scenario (potential loss arising from a risk) is reviewed regularly and modified as necessary. The scale of a stress test is generally based on the simple annual volatility of the financial risk under review, the once-in-a-hundred-years occurrence of a business risk or standard international practice.

The life insurance companies in the Baloise Group manage their risk associated with changes in interest rates directly, by means of appropriate strategic asset allocation. Specific factors such as risk-bearing capacity and the ability to fund guarantees are taken into account when allocating assets. The decision-making process also incorporates the asset managers' expectations regarding the capital markets and customers' expectations regarding life insurance.

The Baloise Group's chief investment officer (CIO) reviews the strategic asset allocation undertaken by all business units twice a year.

The banks also use an appropriate asset and liability management system to monitor and manage interest rate risk. Interest rate risk is incurred only in proportion to business volume and business activities. Interest rate risk is measured using software based on gap, duration and interest rate sensitivity methods. The asset and liability mismatch at Baloise Bank SoBa is also actively managed by the use of appropriate interest rate derivatives, generally fair value hedges.

If all interest rates had fallen by 50 basis points on the balance sheet date but all other variables had remained constant, the profit for the period (after deferred gains / losses and deferred taxes) would have been lower by CHF 51 million (31 December 2015: CHF 69 million). Including the impact on profit for the period, equity (after shadow accounting, deferred gains / losses and deferred taxes) would have risen by CHF 181 million (31 December 2015: CHF 146 million). If all interest rates had risen by 50 basis points on the balance sheet date but all other variables had remained constant, the profit for the period (after deferred gains / losses and deferred taxes) would have been higher by CHF 19 million (31 December 2015: CHF 5 million). Including the impact on profit for the period, equity (after shadow accounting, deferred gains / losses and deferred taxes) would have fallen by CHF 220 million (31 December 2015: CHF 241 million).

5.6.2 Currency risk

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

- net foreign exchange exposure, i.e. the net position between assets and liabilities denominated in foreign currencies,
- the volatility of the currencies involved and
- the correlation of currencies with other risk parameters in a portfolio.

Because the Baloise Group invests in foreign currency bonds (particularly those denominated in euros) for investment or diversification purposes, there may be currency effects in the income statement for both realised and unrealised positions. To ensure compliance with the risk budget set for currency effects recognised in the income statement, the foreign exchange management team first calculates adequate target hedge ratios, then implements the necessary hedging strategies taking into account these target hedge ratios and the discretionary ranges allowed. It also takes advantage of phases when exchange rates are overreacting by deliberately underweighting or overweighting the hedge ratios in relation to the defined benchmark. These hedging strategies are implemented using forward FX contracts and FX options or combinations of options in which the selection of the instruments to be used in each case depends on factors such as volatility and expected exchange rate movements.

The currency effect of foreign currency bonds or insurance-related foreign currency liabilities and changes in the fair value of derivative financial instruments held for hedging purposes are always recognised in the income statement.

The Group-wide Risk Management Standards require currency risk and the effectiveness of the currency derivatives transacted to be monitored on a continuous basis. The currency risk incurred must be proportionate to the potential superior return generated by the diversification effect achieved in the portfolio.

The Swiss franc and the euro are used almost exclusively for the Baloise Group's insurance activities, with the result that technical reserves are also mainly in these currencies. There are also small technical liabilities in US dollars and pounds sterling. These reserves are generally covered by investments in the same currencies (natural hedges).

Assuming that all other variables remain constant, fluctuations between transactional currencies and the functional currency in financial balance sheet items (after deferred gains / losses and deferred taxes) in the amount of + / – CHF 0.01 (1 centime) would have resulted in a change of + / – CHF 1.4 million (31 December 2015: + / – CHF 2.4 million) in the profit for the period and also in equity; a positive (+) change of CHF 0.01 would have generated a currency gain and a negative (–) change of CHF 0.01 would have generated a currency loss.

Derivative financial instruments used as currency hedges of a net investment in a foreign operation

The Group's own companies, Baloise Alternative Investment Strategies Ltd., Jersey, and Baloise Private Equity Ltd., Jersey, manage substantial investments in alternative financial assets such as hedge funds and private equity.

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 two foreign entities whose reporting currency is the US dollar. Restricting the implementation of hedging strategies to forward contracts makes it easier to demonstrate the efficiency of the hedges and to show that hedge accounting is being used. Because hedge accounting is applied, the change in the fair value of these derivatives is aggregated into a separate item under equity and only derecognised via the income statement, together with the accrued currency effects on the net investment in these foreign entities, when the relevant underlying asset is sold.

	Fair value assets		Fair value liabilities	
as at 31.12.	2015	2016	2015	2016
CHF million				
Forward contracts	7.2	0.8	10.5	27.5
Swaps	–	–	–	–
OTC options	–	–	–	–
Other	–	–	–	–
Traded options	–	–	–	–
Traded futures	–	–	–	–
Total	7.2	0.8	10.5	27.5

	2015	2016
CHF million		
Amount recognised directly in equity	– 0.2	– 14.8
Hedge ineffectiveness reclassified to the income statement	–	–

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

For international diversification (risk-spreading), to enhance returns and because there is greater liquidity in certain foreign financial markets, as at 31 December 2016 the Group's Swiss companies did hold a net position in euros equivalent to CHF 765.2 million (2015: 643.8) and a net position in US dollars equivalent to CHF 8.3 million (2015: CHF – 11.2 million). The remaining foreign exchange positions, both assets and liabilities, were negligible.

During the year, the aggregated hedge ratio for the net foreign exchange exposure in US dollars ranged from 80 per cent to 100 per cent and in euros ranged from 90 per cent to 100 per cent.

Except for the German business unit no other foreign entity in the Baloise Group had a significant foreign currency exposure.

5.7 Credit risk

Credit risk relating to assets held by insurance companies refers to the total potential downside risk arising from a deterioration in the credit quality of a borrower or issuer, or from impairment in the value of collateral. Credit risk is managed by monitoring the credit quality of each individual counterparty and relying heavily on credit ratings.

Credit risk increases when counterparties become concentrated in a single sector or geographic region. Economic trends that affect whole sectors or regions can jeopardise an entire group of otherwise unrelated counterparties. For this reason, the Baloise Group tracks counterparty exposure at all times and monitors credit risk on a Group-wide basis. The regional expertise of our business units is also incorporated into decisions about securities selection or changes to the existing credit portfolio.

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.

Investments in interest-bearing securities or loans must have an investment-grade issue rating or be backed by a corresponding third-party guarantee or mortgage. A total limit of 15 per cent of all interest-bearing securities and loans is set for investments with a rating of less than "A –" and investments with no rating. Sub-investment-grade investments are not permitted. 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.

Investments in pfandbriefs are backed by mortgages. The vast majority of investments in promissory notes and registered bonds are secured by guarantees or covered by the deposit protection fund. These investments carry a reimbursement guarantee from financial institutions. Mortgage loans are secured by property; there are limits on loan-to-value ratios.

Please refer to the table of secured financial instruments with characteristics of liabilities in chapter 12.

FINANCIAL ASSETS EXCEEDING 10 % OF CONSOLIDATED EQUITY

CHF million	31.12.2015
Swiss Confederation	3,639.1
Kingdom of Belgium	2,522.9
Federal Republic of Germany	2,193.3
Pfandbriefbank schweizerischer Hypothekarinstitute AG	1,657.6
Republic of France	1,567.5
European Investment Bank, Luxembourg	982.6
Pfandbriefzentrale der schweizerischen Kantonalbanken AG	921.2
Kingdom of the Netherlands	865.2
Republic of Austria	567.1

FINANCIAL ASSETS EXCEEDING 10 % OF CONSOLIDATED EQUITY

CHF million	31.12.2016
Swiss Confederation	3,671.8
Kingdom of Belgium	2,590.6
Federal Republic of Germany	1,970.0
Pfandbriefbank schweizerischer Hypothekarinstitute AG	1,649.0
Republic of France	1,531.9
Pfandbriefzentrale der schweizerischen Kantonalbanken AG	996.1
Kingdom of the Netherlands	937.0
European Investment Bank, Luxembourg	827.4

MAXIMUM DEFAULT RISK OF FINANCIAL ASSETS

CHF million	31.12.2015	31.12.2016
Financial assets of a debt nature		
Public corporations	18,838.6	18,351.8
Industrial enterprises	4,950.7	6,425.5
Financial institutions	7,815.9	7,269.6
Other	15.4	15.2
Mortgages and loans		
Mortgages	10,999.7	10,852.6
Policy loans	141.0	131.8
Promissory notes and registered bonds	4,382.5	4,349.5
Time deposits	917.8	838.1
Employee loans	28.1	25.7
Reverse repurchase agreements	–	–
Other loans	323.7	325.1
Derivative financial instruments	363.2	363.0
Receivables from financial contracts	9.9	4.2
Reinsurance assets	410.8	415.2
Receivables from reinsurers	52.3	47.5
Insurance receivables	389.4	383.5
Other receivables	317.5	489.7
Receivables from investments	491.3	451.6
Cash and cash equivalents	1,765.8	1,935.5

If no contractually irrevocable future loan commitments have been agreed, the maximum default risk of financial assets corresponds to the carrying amount of the assets for own account and at own risk. In addition, guarantees and collateral for the benefit of third parties totalled CHF 672.8 million (2015: CHF 524.3 million).

The management and control of credit risk arising from mortgage business are set out in instructions and written procedures in which mandatory lending regulations are specified. These lending regulations lay down strict procedures for the immediate identification, accurate assessment, proper authorisation and continuous monitoring of credit risk. Standard credit documentation is used to record and review loan applications, which are all logged and managed centrally. The relevant credit documentation reflects or incorporates all evaluation criteria and policies.

Because a running total of mortgage transactions is kept, it is possible to monitor compliance with credit policy, and corrective action can be taken if necessary. All mortgages are also managed by periodically auditing exposure, including records of overdue interest. Procedures and audit intervals are set out in a separate directive. Senior management regularly receive detailed risk reports on the composition of the mortgage portfolio and risk trends.

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

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

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

CREDIT RATINGS OF FINANCIAL ASSETS THAT WERE NEITHER OVERDUE NOR IMPAIRED

as at 31.12.2015	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Financial assets of a debt nature						
Public corporations	7,114.9	9,507.8	1,163.8	988.3	63.7	18,838.6
Industrial enterprises	153.0	1,199.6	2,484.8	1,104.8	8.5	4,950.7
Financial institutions	4,835.2	859.3	1,214.6	627.6	279.2	7,815.9
Other	0.2	–	15.2	–	–	15.4
Mortgages and loans						
Mortgages	99.1	988.0	8,490.5	904.7	268.0	10,750.3
Policy loans	–	–	–	–	141.0	141.0
Promissory notes and registered bonds	1,563.4	2,464.1	43.0	82.5	229.5	4,382.5
Time deposits	22.9	225.9	47.2	–	621.9	917.8
Employee loans	–	–	–	–	28.1	28.1
Reverse repurchase agreements	–	–	–	–	–	–
Other loans	2.3	28.5	112.4	80.1	69.6	293.0
Derivative financial instruments	131.9	48.3	94.7	43.5	44.8	363.2
Receivables from financial contracts	–	–	–	–	9.9	9.9
Reinsurance assets	–	202.7	154.6	2.8	47.1	407.2
Receivables from reinsurers	–	16.2	21.2	–	14.8	52.2
Insurance receivables	0.0	4.9	24.5	0.7	236.6	266.8
Other receivables	34.6	20.6	110.3	15.4	132.9	313.9
Receivables from investments	136.5	118.9	44.7	30.3	141.3	471.6
Cash and cash equivalents	663.1	412.1	607.6	14.0	69.1	1,765.8
Total	14,757.1	16,096.9	14,629.1	3,894.8	2,406.0	51,783.9

CREDIT RATINGS OF FINANCIAL ASSETS THAT WERE NEITHER OVERDUE NOR IMPAIRED

as at 31.12.2016	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Financial assets of a debt nature						
Public corporations	6,655.5	8,891.6	1,301.2	924.4	579.2	18,351.8
Industrial enterprises	196.2	1,150.3	3,448.7	1,574.7	55.6	6,425.5
Financial institutions	4,716.4	729.5	1,164.7	373.2	285.9	7,269.6
Other	0.2	15.0	–	–	–	15.2
Mortgages and loans						
Mortgages	97.5	888.2	8,353.6	1,004.1	210.7	10,554.2
Policy loans	–	–	–	–	131.8	131.8
Promissory notes and registered bonds	1,697.2	2,320.4	54.6	35.4	241.8	4,349.5
Time deposits	14.5	131.4	42.3	25.2	624.6	838.1
Employee loans	–	–	–	–	25.7	25.7
Reverse repurchase agreements	–	–	–	–	–	–
Other loans	4.4	29.6	122.4	83.4	65.9	305.7
Derivative financial instruments	91.2	30.2	164.7	31.0	45.8	363.0
Receivables from financial contracts	–	–	–	–	4.2	4.2
Reinsurance assets	–	188.8	171.2	5.0	46.1	411.2
Receivables from reinsurers	–	14.3	22.0	0.1	11.1	47.5
Insurance receivables	0.0	7.9	9.6	0.8	238.8	257.1
Other receivables	135.8	19.2	113.7	18.1	172.8	459.6
Receivables from investments	128.2	106.2	45.4	27.7	125.6	433.1
Cash and cash equivalents	914.0	266.3	674.1	19.5	61.5	1,935.5
Total	14,651.2	14,789.2	15,688.1	4,122.7	2,927.2	52,178.4

Standard & Poor's and Moody's ratings are generally used to assess the credit quality of securities. The lower of the two is used for disclosure.

Because the two agencies do not cover the entire Swiss financial market, the SBI composite rating is applied as and when necessary. This consists of ratings issued by the two rating agencies and the following four Swiss banks: Credit Suisse, UBS, Bank Vontobel and Zürcher Kantonalbank.

The credit quality of mortgage assets arising from Swiss insurance business is reviewed using risk management processes. Credit ratings are assigned on this basis. Mortgage assets that show no signs of impaired credit quality receive an A rating. Those that show signs of impaired credit quality are rated lower than BBB or are not rated at all.

In 2016, financial assets amounting to CHF 1.8 million (2015: CHF 1.8 million) and cash and cash equivalents of 0.1 million (2015: 0.1 million) from collateral received were used.

FINANCIAL ASSETS IMPAIRED

	Gross amount	Impairment	Carrying amount	Gross amount	Impairment	Carrying amount
as at 31.12.			2015			2016
CHF million						
Financial assets of a debt nature						
Public corporations	–	–	–	–	–	–
Industrial enterprises	2.7	–2.7	–	2.7	–2.7	–
Financial institutions	0.4	–0.4	–	0.7	–0.7	–
Other	–	–	–	–	–	–
Mortgages and loans						
Mortgages	146.1	–31.2	114.9	147.0	–24.3	122.7
Policy loans	–	–	–	–	–	–
Promissory notes and registered bonds	–	–	–	2.1	–2.1	–
Time deposits	–	–	–	–	–	–
Employee loans	–	–	–	–	–	–
Reverse repurchase agreements	–	–	–	–	–	–
Other loans	38.2	–13.7	24.5	28.5	–15.3	13.2
Receivables from financial contracts	–	–	–	–	–	–
Reinsurance assets	–	–	–	–	–	–
Receivables from reinsurers	0.1	–0.1	0.0	0.1	–0.1	0.0
Insurance receivables	126.3	–38.0	88.3	132.6	–37.3	95.2
Other receivables	6.0	–2.5	3.5	5.1	–1.8	3.3
Receivables from investments	21.4	–1.7	19.7	20.1	–1.6	18.5
Total	341.3	–90.3	251.0	338.9	–85.9	253.0

FINANCIAL ASSETS OVERDUE BUT NOT IMPAIRED

as at 31.12.2015	‹ 3 months	3 – 6 months	7 – 12 months	› 12 months	Total
CHF million					
Financial assets of a debt nature					
Public corporations	–	–	–	–	–
Industrial enterprises	–	–	–	–	–
Financial institutions	–	–	–	–	–
Other	–	–	–	–	–
Mortgages and loans					
Mortgages	0.2	–	1.9	2.1	4.3
Policy loans	–	–	–	–	–
Promissory notes and registered bonds	–	–	–	–	–
Time deposits	–	–	–	–	–
Employee loans	–	–	–	–	–
Reverse repurchase agreements	–	–	–	–	–
Other loans	0.1	–	0.0	0.1	0.2
Receivables from financial contracts	–	–	–	–	–
Reinsurance assets	–	–	–	3.7	3.7
Receivables from reinsurers	–	–	–	–	–
Insurance receivables	12.7	9.3	8.7	3.7	34.4
Other receivables	0.0	0.0	0.1	0.0	0.1
Receivables from investments	–	–	–	–	–
Total	13.0	9.3	10.8	9.5	42.6

FINANCIAL ASSETS OVERDUE BUT NOT IMPAIRED

as at 31.12.2016	‹ 3 months	3 – 6 months	7 – 12 months	› 12 months	Total
CHF million					
Financial assets of a debt nature					
Public corporations	–	–	–	–	–
Industrial enterprises	–	–	–	–	–
Financial institutions	–	–	–	–	–
Other	–	–	–	–	–
Mortgages and loans					
Mortgages	0.3	13.3	0.0	0.1	13.7
Policy loans	–	–	–	–	–
Promissory notes and registered bonds	–	–	–	–	–
Time deposits	–	–	–	–	–
Employee loans	–	–	–	–	–
Reverse repurchase agreements	–	–	–	–	–
Other loans	0.1	–	0.0	0.0	0.1
Receivables from financial contracts	–	–	–	–	–
Reinsurance assets	–	–	–	4.0	4.0
Receivables from reinsurers	–	–	–	–	–
Insurance receivables	10.7	7.0	9.0	4.5	31.2
Other receivables	0.1	0.0	0.0	0.0	0.2
Receivables from investments	–	0.0	–	–	0.0
Total	11.1	20.4	9.1	8.7	49.2

5.8 Liquidity risk

Banks as well as insurance companies incur latent liquidity risk. This refers to the risk of rapid outflows of large volumes of liquidity that cannot be offset by asset sales or for which alternative funding cannot be implemented quickly enough. In extreme cases, a lack of liquidity can result in insolvency. Legal provisions apply and the Group-wide Risk Management Standards require each business unit to plan its liquidity centrally. This is carried out with the close collaboration of the investment, actuarial, underwriting and finance departments of each business unit.

Liquidity management must take account of the maturity structure of liabilities as follows:

MATURITIES OF FINANCIAL LIABILITIES[1]

Liquidity risk as at 31.12.2015	‹ 1 year[2]	1 – 3 years	4 – 5 years	› 5 years	Total	Carrying amount
CHF million						
Liabilities arising from banking business and financial contracts						
With discretionary participation features	1,866.7	4.8	5.5	53.1	1,930.1	1,930.1
Measured at amortised cost	6,348.2	371.8	468.6	1,110.5	8,299.2	8,299.2
Recognised at fair value through profit or loss	3,203.9	–	42.8	5,536.0	8,782.8	8,782.8
Financial liabilities	277.1	284.6	528.4	807.1	1,897.2	1,707.8
Financial provisions	52.6	16.5	22.4	3.2	94.8	94.8
Derivative financial instruments	156.6	42.0	8.7	43.6	250.8	250.8
Insurance liabilities	929.4	720.4	0.0	0.6	1,650.4	1,650.4
Other liabilities	455.6	40.2	3.5	22.9	522.2	522.2
Contingent liabilities and capital commitments	1,055.0	14.1	110.8	2.0	1,182.0	–
Total	14,345.1	1,494.5	1,190.9	7,579.0	24,609.5	–

Liquidity risk as at 31.12.2016	‹ 1 year[2]	1 – 3 years	4 – 5 years	› 5 years	Total	Carrying amount
CHF million						
Liabilities arising from banking business and financial contracts						
With discretionary participation features	2,208.8	1.1	1.2	106.3	2,317.4	2,317.4
Measured at amortised cost	6,295.5	289.9	596.3	819.2	8,000.9	8,000.9
Recognised at fair value through profit or loss	3,406.0	–	6,148.2	445.2	9,999.4	9,999.4
Financial liabilities	255.9	232.4	590.9	540.9	1,620.1	1,470.4
Financial provisions	40.2	24.1	0.0	15.7	80.0	80.0
Derivative financial instruments	237.4	24.6	9.4	27.6	299.0	299.0
Insurance liabilities	971.1	593.4	–	0.6	1,565.2	1,565.2
Other liabilities	489.9	23.7	3.8	20.5	537.9	537.9
Contingent liabilities and capital commitments	1,427.8	172.8	260.2	12.4	1,873.1	–
Total	15,332.6	1,362.1	7,610.0	1,988.5	26,293.1	–

1 Based on undiscounted contractual cash flows.
2 All demand deposits are included in the first maturity band.

Please refer to the tables in chapter 23 for the residual terms and maturities of technical reserves.

In accordance with the Group-wide Risk Management Standards, asset and liability management committees have been introduced in all strategic business units in the Baloise Group. These asset and liability management committees analyse maturity schedules and the income generated by assets or required for liabilities.

As part of tactical and strategic investment planning, care is taken when allocating the assets held by the individual life and non-life insurance units in the Baloise Group to ensure that sufficient liquidity is available to carry out investment activity and for the operational settlement of all business processes. The level of liquidity required is determined on the basis of the maturity structure of investments versus the payout schedule for insurance-related liabilities. The average historical pattern of incoming and outgoing cash management payments over the previous five years is also taken into account. Investment planning explicitly includes exceptionally large incoming or outgoing payments that are known in advance. Maintenance of liquidity levels and access to further liquidity via the repo market ensure sufficiently high reserves for payments needed at short notice, such as large claim settlements, until such as time as the reinsurer assumes the costs. Cash pooling among the Baloise Group's Swiss companies also ensures that excess liquidity in one unit can be used to offset a temporary liquidity squeeze at another unit via an intra-Group interest-bearing overdraft facility.

If these precautions fail to meet the need for liquidity, the Baloise Group holds financial assets that can be sold at short notice without significant price losses. They include all equities (excluding long-term equity investments). Because the Group holds a substantial portfolio of government and quasi-government bonds, it is possible to sell relatively large holdings of available-for-sale bonds even in crisis situations. Mortgages and loans are generally held to maturity; early redemption is not considered at present. In terms of alternative financial assets, 68 per cent of hedge funds can be sold within three months. Private-equity investments have to be considered illiquid in this context, and it is not possible to sell investment property to generate immediate liquidity.

5.9 Equity price risk

The Baloise Group is exposed to equity price risk because it holds financial instruments with characteristics of equity classed as "recognised at fair value through profit or loss" and "available for sale". Equity price risk is significantly reduced by means of international diversification, i.e. by spreading risk across sectors, countries and currencies. Active overlay management using derivatives also mitigates equity price risk if certain intervention levels are reached or the market and / or risk indicators that are continuously tracked by Baloise suggest heightened hedging activity.

Most financial instruments with characteristics of equity are publicly listed.

If the market price of all financial instruments with characteristics of equity were to move by + / – 10 per cent on the balance sheet date, the following impact would be observed – after shadow accounting, deferred gains / losses, deferred taxes, derivative hedges and the effect of the impairment rules mentioned in section 3.10.2:

	Impact on profit for the period		Impact on equity (including profit for the period)	
	2015	2016	2015	2016
CHF million				
Market price plus 10 %	54.2	57.4	266.8	264.9
Market price minus 10 %	– 75.0	– 77.6	– 266.3	– 267.3

Because these impairment criteria produce different effects due to assumed changes in market prices if there is a rise compared with an analogous fall, these effects are divergent. The compensatory effects of hedging using derivatives behave in a similar manner.

Adjustments in the fair value of financial instruments with characteristics of equity that are classed as "recognised at fair value through profit or loss" have an impact on the profit for the period. Unrealised gains and losses vary due to changes in the fair value of financial instruments with characteristics of equity which are classed as "available for sale". In a life insurance company, policyholders participate in the firm's profits, depending on their policy and local circumstances (see section 3.18.5.). The table above takes account of this profit-sharing scheme.

5.10 Fair value measurement

Where available, quoted market prices are used to determine the fair value of assets and liabilities. They are defined as available if quoted prices can be obtained easily and frequently on an exchange, from a dealer, broker, trade association, pricing service or regulatory authority, provided these prices are current, in sufficient volume and represent regularly occurring arm's-length transactions in the market.

If no quoted market prices are available (e.g. because a market is inactive), the fair value is determined using a market-based measurement process. Market-based means that the measurement method is based on a significant quantity of observable market data (as available).

Fair value measurement is divided into the following three hierarchy levels:

→ Fair value determined by publicly quoted prices (level 1)
  Fair value is based on prices in active markets on the balance sheet date and it is not adjusted or compiled in any other way.
→ Fair value determined by using observable market data (level 2)
  Fair value is estimated using generally recognised methods (discounted cash flow, etc.). In this case, measurement incorporates a significant quantity of observable market data (interest rates, index performance, etc.).
→ Fair value determined without the use of observable market data (level 3)
  Fair value is estimated using generally recognised methods (discounted cash flow, etc.), although it is measured without reference to any observable market data (or only to a very minor degree), either because this data is not available or because it does not permit any reliable conclusions to be drawn with regard to fair value.

Detailed information about measurement principles and the measurement methods used can be found in sections 3.7, 3.8, 3.9, 3.11, 3.20 and 4.1.

Details of the methods used to measure level 2 and level 3 assets and liabilities

The table below gives an overview of the measurement methods that the Baloise Group uses to determine the fair value of balance sheet line items classified as level 2 or level 3. The table shows the individual measurement methods, the key input factors used for measurement purposes and – where practicable – the range within which these input factors vary.

Balance sheet line item	Measurement method	Key input factors used for measurement purposes	Range of input factors
Level 2			
Financial instruments with characteristics of equity			
Available for sale	Internal measurement methods	Price of underlying instrument, liquidity discount, balance sheet and income statement figures	–
	Net asset value	n.a.	–
At fair value through profit or loss	Net asset value	n.a.	–
Financial instruments with characteristics of liabilities			
Available for sale	Present-value model	Yield curve, swap rates, default risk	–
At fair value through profit or loss	Present-value model	Interest rate, credit spread, market price	–
Mortgages and loans			
At fair value through profit or loss	Present-value model	LIBOR, swap rates	–
Derivative financial instruments	Black-Scholes option pricing model	Money market interest rate, volatility, price of underlying instrument, exchange rates	–
	Black-76	Volatility, forward interest rate	–
Liabilities arising from banking business and financial contracts			
At fair value through profit or loss	Stochastic present-value model	Investment fund prices, interest rates, cancellation rate	–
	Present-value model	LIBOR, swap rates	–
Level 3			
Financial instruments with characteristics of equity	Net asset value	n.a.	n.a.
Financial instruments with characteristics of liabilities	Present-value model	Interest rate, credit spread	–
Derivative financial instruments	Net asset value	n.a.	n.a.
Investment property	DCF method	Discount rate[1]	3.0% – 5.6%[3]
		Rental income[2]	290 – 320 CHF million[3]
		Vacancy costs[1]	10 – 15 CHF million[3]
		Running costs[1]	24 – 27 CHF million[3]
		Maintenance costs[1]	26 – 30 CHF million[3]
		Capital expenditure[2]	50 – 70 CHF million[3]
		Inflation rate[2]	0% – 2%[3]

1 The lower these key input factors are, the higher the fair value of the investment property is.
2 The higher these key input factors are, the lower the fair value of the investment property is.
3 The input factor ranges shown essentially relate to the real estate portfolios held by the Baloise Group's Swiss entities.

Determining the fair value of assets and liabilities classified as level 3

The Baloise Group organises its operating activities into strategic business units, which are generally combined under a single management team for each region. The financial and management information needed for all relevant executive decisions is held by these strategic business units. This organisational structure is also used to delegate authority and responsibility for proper implementation of, and compliance with, financial reporting standards within the Baloise Group to the individual strategic business units.

The organisation of these individual units varies in terms of how they determine the fair value of financial instruments classified as level 3. This process essentially involves the regular discussion of measurement methods, measurement inconsistencies and classification issues by formal or informal committees at each reporting date. Appropriate adjustments are made where necessary.

Financial instruments with characteristics of equity classed as “available for sale” or “recognised at fair value through profit or loss” and classified as level 3 are primarily private-equity investments and alternative investments held by the Baloise Group as well as non-controlling interests in real estate companies. The fair value of such investments is usually determined by fund managers (external providers) based on their net asset value (NAV). These external providers generally use non-public information to calculate the individual investments’ NAV.

Financial instruments with characteristics of liabilities that are assigned to level 3 are predominantly corporate bonds originating from private placements and for which third-party prices are not available. A present-value model is used to measure their fair value.

The measurement of investment property classified as level 3 is carried out internally each year by experts using market-based assumptions that have been verified by respected external consultancies. This property is also assessed by external valuation specialists at regular intervals.

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

31.12.2015	Total carrying amount	Total fair value	Level 1	Level 2	Level 3
CHF million					
Assets measured on a recurring basis					
Financial instruments with characteristics of equity					
Available for sale	4,443.3	4,443.3	2,627.7	872.5	943.1
Recognised at fair value through profit or loss	1,173.8	1,173.8	285.7	888.1	–
Financial instruments with characteristics of liabilities					
Held to maturity	8,549.5	10,007.4	10,007.4	–	–
Available for sale	23,024.6	23,024.6	23,001.3	23.3	–
Recognised at fair value through profit or loss	46.6	46.6	28.3	18.3	–
Mortgages and loans					
Carried at cost	15,912.6	16,929.6	–	–	16,929.6
Recognised at fair value through profit or loss	744.0	744.0	–	744.0	–
Derivative financial instruments	363.2	363.2	11.0	352.2	–
Receivables from financial contracts					
Carried at cost	9.9	9.9	–	–	9.9
Other receivables					
Carried at cost	317.5	318.5	–	–	318.5
Receivables from investments					
Carried at cost	491.3	491.3	359.7	1.8	129.9
Investment property	6,251.9	6,251.9	–	–	6,251.9
Liabilities measured on a recurring basis					
Liabilities arising from banking business and financial contracts					
Measured at amortised cost	8,299.2	8,484.0	–	8,438.4	45.6
Recognised at fair value through profit or loss	322.2	322.2	–	322.2	–
Derivative financial instruments	250.8	250.8	22.1	228.7	–
Financial liabilities	1,707.8	1,864.2	1,864.2	–	–

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

31.12.2016	Total carrying amount	Total fair value	Level 1	Level 2	Level 3
CHF million					
Assets measured on a recurring basis					
Financial instruments with characteristics of equity					
Available for sale	4,357.1	4,357.1	2,471.8	921.3	964.0
Recognised at fair value through profit or loss	1,002.3	1,002.3	310.7	691.5	–
Financial instruments with characteristics of liabilities					
Held to maturity	8,224.6	9,904.1	9,904.1	–	–
Available for sale	23,806.7	23,806.7	23,777.4	29.3	–
Recognised at fair value through profit or loss	30.8	30.8	25.4	5.5	–
Mortgages and loans					
Carried at cost	15,457.7	16,494.6	–	–	16,494.6
Recognised at fair value through profit or loss	897.0	897.0	–	897.0	–
Derivative financial instruments	363.0	363.0	11.4	351.6	–
Receivables from financial contracts					
Carried at cost	4.2	4.2	–	–	4.2
Other receivables					
Carried at cost	463.1	464.2	–	–	464.2
Receivables from investments					
Carried at cost	451.6	451.6	337.6	0.4	113.7
Investment property	6,817.5	6,817.5	–	–	6,817.5
Liabilities measured on a recurring basis					
Liabilities arising from banking business and financial contracts					
Measured at amortised cost	8,000.9	8,153.3	–	8,103.0	50.4
Recognised at fair value through profit or loss	489.0	489.0	–	489.0	–
Derivative financial instruments	299.0	299.0	21.8	277.2	–
Financial liabilities	1,470.4	1,592.6	1,592.6	–	–

The Baloise Group has applied accounting standard IFRS 5 (non-current assets and disposal groups held for sale and discontinued operations) owing to the disposal of the portfolio of life insurance policies held by the German branch of Baloise Life Ltd (Basler Leben DfD [Direktion für Deutschland]). The Baloise Group has assets and liabilities measured at fair value on a non-recurring basis as part of the disposal group recognised for this purpose.

Information on the fair value of the disposal group can be found in note 21.

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

31.12.2015	Total carrying amount	Total fair value	Level 1	Level 2	Level 3
CHF million					
Assets measured on a recurring basis					
Financial instruments with characteristics of equity					
Recognised at fair value through profit or loss	8,153.7	8,153.7	8,011.7	–	142.1
Financial instruments with characteristics of liabilities					
Recognised at fair value through profit or loss	1,627.7	1,627.7	1,607.8	19.9	–
Mortgages and loans					
Recognised at fair value through profit or loss	–	–	–	–	–
Derivative financial instruments	290.7	290.7	28.0	262.7	–
Other assets					
Recognised at fair value through profit or loss	40.2	40.2	40.2	–	–
Liabilities measured on a recurring basis					
Liabilities arising from banking business and financial contracts					
Recognised at fair value through profit or loss	8,460.6	8,460.6	8,460.6	–	–
Derivative financial instruments	–	–	–	–	–

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

31.12.2016	Total carrying amount	Total fair value	Level 1	Level 2	Level 3
CHF million					
Assets measured on a recurring basis					
Financial instruments with characteristics of equity					
Recognised at fair value through profit or loss	8,946.2	8,946.2	8,825.0	76.5	44.7
Financial instruments with characteristics of liabilities					
Recognised at fair value through profit or loss	1,704.4	1,704.4	1,662.1	0.1	42.2
Mortgages and loans					
Recognised at fair value through profit or loss	–	–	–	–	–
Derivative financial instruments	394.4	394.4	196.6	197.1	0.8
Other assets					
Recognised at fair value through profit or loss	54.5	54.5	54.5	–	–
Liabilities measured on a recurring basis					
Liabilities arising from banking business and financial contracts					
Recognised at fair value through profit or loss	9,510.4	9,510.4	9,510.4	–	–
Derivative financial instruments	–	–	–	–	–

The Baloise Group has applied accounting standard IFRS 5 (non-current assets and disposal groups held for sale and discontinued operations) owing to the disposal of the portfolio of life insurance policies held by the German branch of Baloise Life Ltd (Basler Leben DfD [Direktion für Deutschland]). The Baloise Group has assets and liabilities measured at fair value on a non-recurring basis as part of the disposal group recognised for this purpose.

Information on the fair value of the disposal group can be found in note 21.

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

2015	Financial instruments with characteristics of equity Available for sale	Investment property Recognised at fair value through profit or loss	Total
CHF million			
Assets and liabilities measured on a recurring basis			
Balance as at 1 January	993.0	5,962.9	6,955.9
Additions	112.6	394.9	507.5
Additions arising from change in the scope of consolidation	–	–	–
Additions arising from change in the percentage of shareholding	–	–	–
Disposals	–96.7	–82.0	–178.7
Disposals arising from change in the scope of consolidation	–	–	–
Disposals arising from change in the percentage of shareholding	–	–	–
Reclassified to level 3	–	28.2	28.2
Reclassified from level 3	–	–75.5	–75.5
Reclassification to non-current assets and disposal groups classified as held for sale	–7.8	–	–7.8
Changes in fair value recognised in profit or loss[1]	–6.1	112.7	106.6
Changes in fair value not recognised in profit or loss[2]	14.8	0.8	15.6
Exchange differences	–66.7	–90.1	–156.8
Balance as at 31 December	943.1	6,251.9	7,195.1
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	–6.1	107.9	101.8

1 Changes in fair value recognised in profit or loss arise from realised gains and losses on investments, impairment losses or the reversal of impairment losses.
2 Changes in fair value not recognised in profit or loss arise from unrealised gains and losses on investments.

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

2016	Financial instruments with characteristics of equity – Available for sale	Investment property – Recognised at fair value through profit or loss	Total
CHF million			
Assets and liabilities measured on a recurring basis			
Balance as at 1 January	943.1	6,251.9	7,195.1
Additions	122.3	453.7	576.0
Additions arising from change in the scope of consolidation	–	73.9	73.9
Additions arising from change in the percentage of shareholding	–	–	–
Disposals	– 105.7	– 49.5	– 155.2
Disposals arising from change in the scope of consolidation	–	–	–
Disposals arising from change in the percentage of shareholding	–	–	–
Reclassified to level 3	–	31.8	31.8
Reclassified from level 3	–	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	–	–	–
Changes in fair value recognised in profit or loss[1]	– 6.8	59.7	52.9
Changes in fair value not recognised in profit or loss[2]	18.7	8.0	26.7
Exchange differences	– 7.5	– 12.0	– 19.6
Balance as at 31 December	964.0	6,817.5	7,781.5
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	– 5.8	56.7	50.9

1 Changes in fair value recognised in profit or loss arise from realised gains and losses on investments, impairment losses or the reversal of impairment losses.
2 Changes in fair value not recognised in profit or loss arise from unrealised gains and losses on investments.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS FOR THE ACCOUNT AND AT THE RISK OF LIFE INSURANCE POLICYHOLDERS AND THIRD PARTIES AND CLASSIFIED AS LEVEL 3

2015	Financial instruments with characteristics of equity Recognised at fair value through profit or loss	Financial instruments with characteristics of liabilities Recognised at fair value through profit or loss	Derivative financial instruments (assets) Recognised at fair value through profit or loss	Total
CHF million				
Assets and liabilities measured on a recurring basis				
Balance as at 1 January	176.5	–	–	176.5
Additions	3.1	–	–	3.1
Additions arising from change in the scope of consolidation	–	–	–	–
Additions arising from change in the percentage of shareholding	–	–	–	–
Disposals	– 20.1	–	–	– 20.1
Disposals arising from change in the scope of consolidation	–	–	–	–
Disposals arising from change in the percentage of shareholding	–	–	–	–
Reclassified to level 3	–	–	–	–
Reclassified from level 3	–	–	–	–
Changes in fair value recognised in profit or loss[1]	– 4.1	–	–	– 4.1
Exchange differences	– 13.4	–	–	– 13.4
Balance as at 31 December	142.1	–	–	142.1
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	– 4.1	–	–	– 4.1

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

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS FOR THE ACCOUNT AND AT THE RISK OF LIFE INSURANCE POLICYHOLDERS AND THIRD PARTIES AND CLASSIFIED AS LEVEL 3

2016	Financial instruments with characteristics of equity Recognised at fair value through profit or loss	Financial instruments with characteristics of liabilities Recognised at fair value through profit or loss	Derivative financial instruments (assets) Recognised at fair value through profit or loss	Total
CHF million				
Assets and liabilities measured on a recurring basis				
Balance as at 1 January	142.1	–	–	142.1
Additions	–	–	–	–
Additions arising from change in the scope of consolidation	–	–	–	–
Additions arising from change in the percentage of shareholding	–	–	–	–
Disposals	– 15.1	–	–	– 15.1
Disposals arising from change in the scope of consolidation	–	–	–	–
Disposals arising from change in the percentage of shareholding	–	–	–	–
Reclassified to level 3	19.3	42.9	0.8	63.0
Reclassified from level 3	– 101.2	–	–	– 101.2
Changes in fair value recognised in profit or loss[1]	– 0.4	–	–	– 0.4
Exchange differences	0.0	– 0.7	0.0	– 0.7
Balance as at 31 December	44.7	42.2	0.8	87.7
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	– 0.4	–	–	– 0.4

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

Reclassification of assets and liabilities from level 1 to level 2 and vice versa

Assets and liabilities measured at fair value are generally reclassified from level 1 to level 2 if there is no longer deemed to be an active market in these instruments owing to their low daily trading volumes or lack of liquidity or if the instruments concerned have been de-listed. Financial instruments are reclassified from level 2 to level 1 for the exact opposite reasons.

No significant amounts of assets or liabilities measured at fair value were reclassified from level 1 to level 2 or vice versa during the reporting period or in 2015.

Reclassification of assets and liabilities to and from level 3

In the reporting period, a small volume of financial assets were reclassified owing to changed market activity and new knowledge concerning the composition of investments.

Discrepancy between a non-financial asset's highest and best use and its current use

The fair value of investment property is determined on the basis of its highest and best use.

This periodic analysis – which was based on criteria such as the potential to increase a property's market value by converting it into apartments, the repurposing of some or all of an existing property, the availability of a significant amount of land for further building and development, and the unlocking of added value by demolishing an existing property and building a new one revealed for the reporting period that the highest and best use of only individual investment properties in the Swiss portfolio differed from their current use.

5.11 Capital management

The general parameters regarding the amount of capital employed are set by regulatory requirements and internal risk management policies. While the aim of regulatory requirements is primarily the protection of policyholders, internal policies are largely derived from the risk-based management of operating activities.

5.11.1 Solvency I ratio at Group level

The solvency ratio (calculated on the basis of the legal requirements in force on 30 June 2015) for pure insurance business of CHF 2,142 million (2015: CHF 2,126 million) was met in 2015 and 2016. The cover ratio for the capital adequacy requirement in available funds was 351 per cent at 31 December 2016 (31 December 2015: 341 per cent). The capital currently available consists of IFRS equity, unallocated policyholders' dividends and the final policyholders' dividend reserve. Liabilities are also recognised as capital in accordance with the corresponding options for solvency coverage at individual company level. Deductions from equity include planned dividend payments and intangible assets.

5.11.2 Requirements under local legislation

Individual Group companies are also subject to regulation under local legislation which in some cases imposes different solvency rules and permits different methods for defining equity. The ability of the business units, and therefore also of the parent company, to pay dividends is closely linked to the priority placed on meeting these local requirements. Compliance with local solvency requirements is monitored on an ongoing basis. Appropriate action is taken if solvency falls short of these regulations.

The relevant requirements for the banking operations of Baloise Bank SoBa are defined by Basel III regulations. The regulatory capital adequacy requirement applicable to Deutscher Ring Bausparkasse AG is the Capital Requirements Regulation (CRR).

5.11.3 Swiss Solvency Test

The Swiss Solvency Test (SST) came into force as a new statutory requirement on 1 January 2011. In this context, the Baloise Group defines its risk-bearing capital and capital required for the SST using an inhouse model which takes into account the Baloise Group's business model. All activities and processes for developing and structuring the inhouse model are gathered together in the Baloise Internal Solvency System (BISS) and coordinated and managed by Group Risk Management.

The inhouse model, which is based on the Swiss Solvency Test (SST), is used to calculate risk-bearing capital. IFRS equity forms the basis for this calculation. The remeasurement of items and the additional incorporation of individual assets and liabilities as well as off-balance-sheet information enable equity to be determined at fair value. 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 risk-adjusted capital and the capital requirement formulated inhouse. The capital requirement covers actuarial risk, market risk, credit risk and other risks. The capital requirement is determined by means of a correlation-based expected shortfall method. The actuarial capital requirement is a measurement of the operational funding required to cover actuarial risk. The claims risk is modelled using distributions of normal and large claims, including the prevailing reinsurance structure. At the same time, the investment required to smooth fluctuations in investment value and returns for a given probability is also calculated. Analysis of these risks is based on quantitative models that use statistical methods to evaluate historical data and place it in the context of current exposure. Various scenarios are simulated by means of stress tests, and their potential impact on risk-bearing capacity is analysed. The ratio of risk-bearing capital to risk-adjusted capital is calculated for the strategic business units and the Group. The Group's risk position is not determined by simply adding together individual risk positions; it also takes into account diversification and consolidation effects. The current ratios of risk-bearing capital to risk-adjusted capital are set with reference to the global risk management limits laid down in the Group-wide Risk Management Standards. These limits are monitored on an ongoing basis.

5.11.4 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 the inhouse risk model (SST) are reported on a monthly basis, which enables the solvency situation to be monitored in a timely manner, providing the basis for risk-based management decisions within the whole organisation. It also enables the Baloise Group to meet external reporting requirements at all times.

6. BASIS OF CONSOLIDATION

6.1 2015 financial year

6.1.1 Acquisitions

HDI-Gerling Assurances, based in Leudelange, Luxembourg, was acquired during the year under review and was merged with Bâloise Assurances Luxembourg S.A. in the same year. This transaction, in which all of its shares were acquired, gave rise to a small amount of goodwill.

6.1.2 Disposals

No companies were sold during the year under review.

6.1.3 Other changes in the group of consolidated companies

The two Gloucester-based companies Lennox Underwriting Agencies and Lennox Underwriting Management were liquidated in the second half of 2015. There were no other changes to the basis of consolidation.

6.2 2016 financial year

6.2.1 Acquisitions

In the second half of 2016, four affiliated real-estate companies were acquired in Belgium (Postsite Aalst). According to the criteria defined in IFRS 3 Business Combinations, this purchase constitutes the acquisition of assets, so goodwill has not been recognised separately in this case.

6.2.2 Disposals

No companies were sold during the year under review.

6.2.3 Other changes in the group of consolidated companies

Baloise Insurance Company (Bermuda) Ltd. merged with Baloise Insurance Ltd (Switzerland) on 1 January 2016. Intercompany reinsurance was thus transferred to Switzerland. This merger took place within the existing group of consolidated companies.

Baloise Immobilien Management AG was founded in the second half of 2016 and is headquartered in Basel. Also in the second half of 2016, the share of capital and share of voting rights in the real-estate company SA Keiberg 401 in Belgium was increased from 46.8 per cent to 100 per cent.

7. INFORMATION ON OPERATING SEGMENTS (SEGMENT REPORTING)

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

→ Switzerland
→ Germany
→ Belgium
→ Luxembourg

The “Germany” segment also includes the regional branches of Basler Sachversicherungs-AG and Basler Lebensversicherungs-AG in the Czech Republic and Slovakia. The “Luxembourg” segment also includes the Baloise Life Liechtenstein unit.

The “Group business” segment comprises the units engaged in intercompany reinsurance and financing, as well as corporate IT and the holding companies.

The revenue generated by the Baloise Group is broken down into the Non-Life, Life, Banking (including asset management) and Other activities operating segments. The Non-Life segment offers accident and health insurance as well as products relating to liability, motor, property and marine insurance. These products are tailored to the specific needs of our customers – primarily retail clients – and the core competences of the relevant companies in the Baloise Group. The Life segment provides individuals and companies with a wide range of endowment policies, term insurance, investment-linked products and private placement life insurance. The Banking segment essentially comprises Baloise Bank SoBa, which acts as a universal bank in Switzerland, and Deutscher Ring Bausparkasse, which operates in Germany mainly as a conventional building society.

The “Other activities” operating segment includes equity investment companies, real estate firms and financing companies.

The accounting policies applied to the presentation of the operating segments (segment reporting) are those used throughout the rest of the Financial Report. No intersegment relationships recognised either on the balance sheet or in the income statement – with the exception of income from long-term equity investments – are offset against each other.

7.1 Segment reporting by strategic business unit

	Switzerland		Germany		Belgium	
	2015	2016	2015	2016	2015	2016
CHF million						
Income						
Premiums earned and policy fees (gross)	4,408.6	4,188.1	1,205.9	1,219.3	1,041.6	1,078.8
Reinsurance premiums ceded	–167.4	–81.5	–83.5	–85.2	–73.2	–88.0
Premiums earned and policy fees (net)	4,241.2	4,106.6	1,122.4	1,134.1	968.4	990.8
Investment income	884.6	878.2	370.3	336.4	238.2	239.5
Realised gains and losses on investments	104.3	121.0	320.8	215.2	78.8	105.0
Income from services rendered	39.5	37.2	32.5	31.8	1.5	1.6
Share of profit (loss) of associates	0.0	0.0	36.8	7.1	0.1	0.0
Other operating income	72.3	106.8	38.6	27.5	21.6	16.5
Income	5,341.9	5,249.8	1,921.4	1,752.1	1,308.6	1,353.5
Intersegment income	57.8	–29.9	46.4	39.0	31.3	34.2
Income from associates	0.0	0.0	36.8	7.1	0.1	0.0
Expense						
Claims and benefits paid (gross)	–3,458.2	–3,651.7	–1,142.0	–1,209.2	–651.6	–688.6
Change in technical reserves (gross)	–764.7	–351.8	–320.1	–181.6	–124.6	–126.3
Reinsurers' share of claims incurred	48.9	27.1	121.9	103.2	82.8	74.8
Acquisition costs	–57.5	–65.6	–181.8	–188.2	–216.8	–229.2
Operating and administrative expenses for insurance business	–434.5	–416.7	–180.0	–193.3	–102.2	–108.3
Investment management expenses	–43.8	–43.8	–22.0	–24.2	–14.6	–11.6
Interest expenses on insurance liabilities	–2.4	–2.3	–31.5	–28.3	–0.2	–0.2
Gains or losses on financial contracts	–36.6	–19.8	–22.9	–23.8	–52.2	–59.2
Other operating expenses	–177.6	–178.6	–77.9	–67.6	–37.7	–33.1
Expense	–4,926.5	–4,703.2	–1,856.4	–1,813.0	–1,116.9	–1,181.7
Profit / loss before borrowing costs and taxes	415.3	546.6	64.9	–60.9	191.7	171.7
Borrowing costs	–	–	–	–	–	–
Profit / loss before taxes	415.3	546.6	64.9	–60.9	191.7	171.7
Income taxes	–86.4	–99.2	–24.3	12.4	–54.9	–46.3
Profit / loss for the period (segment result)	329.0	447.4	40.6	–48.5	136.7	125.5
Segment assets as at 31 December [1]	44,490.9	45,081.9	15,100.9	15,104.9	9,043.6	9,521.0

1 restated in segment assets 2015 Germany.

Luxembourg		Sub-total		Group business		Eliminated		Total	
2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
181.5	198.4	6,837.6	6,684.5	189.9	99.6	−195.1	−103.6	6,832.4	6,680.6
−19.6	−17.1	−343.8	−271.8	0.0	0.0	195.1	103.5	−148.6	−168.2
161.9	181.2	6,493.9	6,412.8	189.8	99.6	0.0	0.0	6,683.7	6,512.4
18.6	18.9	1,511.8	1,473.1	11.7	5.3	−1.7	−1.8	1,521.8	1,476.6
−104.2	223.0	399.7	664.2	−13.5	3.1	–	–	386.2	667.2
14.9	15.8	88.3	86.4	153.5	157.5	−129.1	−133.8	112.6	110.1
–	–	36.8	7.1	–	–	–	–	36.8	7.1
20.5	20.6	153.0	171.4	32.3	20.5	−48.7	−55.1	136.6	136.8
111.7	459.5	8,683.5	8,814.9	373.8	286.1	−179.5	−190.8	8,877.9	8,910.2
0.1	2.6	135.7	46.0	−315.2	−236.8	179.5	190.8	–	–
–	–	36.8	7.1	–	–	–	–	36.8	7.1
−99.0	−111.1	−5,350.7	−5,660.6	−108.7	112.5	107.1	−116.1	−5,352.4	−5,664.2
−39.3	−23.1	−1,248.7	−682.8	−51.6	−208.2	58.4	221.8	−1,241.9	−669.1
10.1	9.2	263.6	214.2	−0.4	−0.3	−165.4	−105.7	97.9	108.2
−16.9	−20.6	−473.0	−503.5	−0.5	−0.5	1.1	1.1	−472.4	−502.9
−43.2	−44.4	−759.9	−762.7	−0.3	−0.1	−1.1	−1.1	−761.3	−763.9
−1.3	−1.4	−81.6	−81.0	−9.8	−8.3	31.0	29.0	−60.4	−60.3
−0.1	0.1	−34.3	−30.7	–	–	0.2	0.2	−34.1	−30.5
113.8	−235.6	2.1	−338.5	−7.1	−10.2	4.2	5.8	−0.9	−342.9
−12.2	−9.3	−305.5	−288.7	−171.7	−168.1	144.1	155.8	−333.1	−300.9
−88.2	−436.3	−7,988.0	−8,134.2	−350.1	−283.2	179.5	190.8	−8,158.6	−8,226.6
23.5	23.3	695.4	680.7	23.8	2.9	–	–	719.2	683.6
–	–	–	–	−40.0	−38.0	–	–	−40.0	−38.0
23.5	23.3	695.4	680.7	−16.2	−35.1	–	–	679.3	645.6
−2.0	1.0	−167.6	−132.0	−0.5	20.3	–	–	−168.2	−111.7
21.5	24.3	527.8	548.7	−16.7	−14.8	–	–	511.1	533.9
9,349.2	10,413.8	77,984.5	80,121.6	1,841.7	1,466.1	−1,044.0	−973.4	78,782.3	80,614.3

7.2 Segment reporting by operating segment

	Non-Life		Life	
	2015	2016	2015	2016
CHF million				
Income				
Premiums earned and policy fees (gross)	3,048.9	3,109.7	3,783.4	3,570.9
Reinsurance premiums ceded	−129.5	−149.8	−19.1	−18.4
Premiums earned and policy fees (net)	2,919.4	2,959.9	3,764.4	3,552.4
Investment income	221.4	217.8	1,196.5	1,161.5
Realised gains and losses on investments	30.4	47.6	348.3	616.8
Income from services rendered	20.8	19.6	16.2	17.0
Share of profit (loss) of associates	7.4	0.0	25.1	3.0
Other operating income	76.5	80.7	86.8	87.3
Income	3,276.0	3,325.7	5,437.2	5,437.9
Intersegment income	−50.3	−49.7	−36.7	−42.7
Income from associates	7.4	0.0	25.1	3.0
Expense				
Claims and benefits paid (gross)	−1,854.0	−1,859.7	−3,498.4	−3,804.5
Change in technical reserves (gross)	−55.3	−66.7	−1,186.6	−602.4
Reinsurers' share of claims incurred	89.5	96.5	8.3	11.7
Acquisition costs	−408.9	−440.0	−63.5	−63.0
Operating and administrative expenses for insurance business	−490.0	−488.5	−271.3	−275.4
Investment management expenses	−22.1	−22.9	−87.6	−85.6
Interest expenses on insurance liabilities	−0.2	−0.2	−33.8	−30.3
Gains or losses on financial contracts	−0.8	−0.5	48.6	−303.9
Other operating expenses	−138.6	−147.3	−75.6	−58.4
Expense	−2,880.5	−2,929.3	−5,159.9	−5,211.8
Profit / loss before borrowing costs and taxes	395.5	396.4	277.3	226.1
Borrowing costs	–	–	–	–
Profit / loss before taxes	395.5	396.4	277.3	226.1
Income taxes	−74.9	−74.9	−62.2	−34.3
Profit / loss for the period (segment result)	320.6	321.5	215.0	191.8

Because the management approach within the Belgium strategic business unit has been re-assessed, a small number of long-term equity investments in the “Other activities” segment have been assigned to the “Non-Life” and “Life” segments in 2015. These reclassifications have had no impact on the profit for the period.

	Banking		Other activities		Eliminated		Total
2015	2016	2015	2016	2015	2016	2015	2016
–	–	–	–	–	–	6,832.4	6,680.6
–	–	–	–	–	–	−148.6	−168.2
–	–	–	–	–	–	6,683.7	6,512.4
126.3	118.7	2.5	2.1	−25.0	−23.4	1,521.8	1,476.6
3.3	−3.4	4.3	6.2	–	–	386.2	667.2
130.5	131.2	160.1	165.2	−215.0	−222.9	112.6	110.1
–	–	4.3	4.2	–	–	36.8	7.1
5.5	16.6	18.8	11.1	−51.0	−58.9	136.6	136.8
265.6	263.0	190.0	188.7	−291.0	−305.2	8,877.9	8,910.2
−64.0	−66.3	−139.9	−146.4	291.0	305.2	–	–
–	–	4.3	4.2	–	–	36.8	7.1
–	–	–	–	–	–	−5,352.4	−5,664.2
–	–	–	–	–	–	−1,241.9	−669.1
–	–	–	–	–	–	97.9	108.2
–	–	–	–	–	–	−472.4	−502.9
–	–	–	–	–	–	−761.3	−763.9
−22.0	−24.9	−4.6	−2.6	75.9	75.8	−60.4	−60.3
–	–	–	–	–	–	−34.1	−30.5
−59.5	−46.5	−15.3	−16.4	26.1	24.6	−0.9	−342.9
−103.3	−99.5	−204.6	−200.6	189.0	204.8	−333.1	−300.9
−184.8	−170.9	−224.4	−219.7	291.0	305.2	−8,158.6	−8,226.6
80.8	92.1	−34.4	−31.0	–	–	719.2	683.6
–	–	−40.0	−38.0	–	–	−40.0	−38.0
80.8	92.1	−74.3	−68.9	–	–	679.3	645.6
−19.9	−19.4	−11.1	16.9	–	–	−168.2	−111.7
60.9	72.7	−85.5	−52.1	–	–	511.1	533.9

Notes to the consolidated balance sheet

8. PROPERTY, PLANT AND EQUIPMENT

2015	Land	Buildings	Operating equipment	Machinery, furniture and vehicles	IT equipment	Total
CHF million						
Balance as at 1 January	93.1	201.1	38.7	25.4	20.9	379.2
Additions	0.4	1.9	10.9	6.4	11.7	31.4
Additions arising from change in the scope of consolidation	–	–	–	0.0	0.0	0.0
Disposals	–	–	– 0.1	– 0.4	– 0.7	– 1.2
Disposals arising from change in the scope of consolidation	–	–	–	–	–	–
Reclassification	– 26.2	73.4	–	–	–	47.2
Reclassification to non-current assets and disposal groups classified as held for sale	–	–	–	–	–	–
Depreciation and impairment						
Depreciation	–	– 14.8	– 7.2	– 5.1	– 9.5	– 36.6
Impairment losses recognised in profit or loss	–	– 3.2	–	–	–	– 3.2
Reversal of impairment losses recognised in profit or loss	–	–	–	–	–	–
Exchange differences	– 2.2	– 12.7	– 0.6	– 1.7	– 0.5	– 17.7
Balance as at 31 December	65.1	245.7	41.7	24.7	21.9	399.1
Acquisition costs	66.8	536.9	118.0	65.8	86.8	874.3
Accumulated depreciation and impairment	– 1.7	– 291.2	– 76.3	– 41.1	– 64.9	– 475.3
Balance as at 31 December	65.1	245.7	41.7	24.7	21.9	399.1
Of which: Assets held under finance leases	–	–	–	–	–	–

Depreciation and impairment form part of other operating expenses.

Property, plant and equipment

2016	Land	Buildings	Operating equipment	Machinery, furniture and vehicles	IT equipment	Total
CHF million						
Balance as at 1 January	65.1	245.7	41.7	24.7	21.9	399.1
Additions	0.0	0.9	3.5	5.3	6.7	16.4
Additions arising from change in the scope of consolidation	–	–	–	0.0	–	0.0
Disposals	–	–	0.0	– 0.3	0.0	– 0.3
Disposals arising from change in the scope of consolidation	–	–	–	–	–	–
Reclassification	– 0.4	– 31.4	–	–	–	– 31.8
Reclassification to non-current assets and disposal groups classified as held for sale	–	–	–	–	–	–
Depreciation and impairment						
Depreciation	–	– 8.4	– 7.4	– 5.8	– 9.1	– 30.7
Impairment losses recognised in profit or loss	– 0.1	– 1.1	–	–	–	– 1.1
Reversal of impairment losses recognised in profit or loss	–	–	–	–	–	–
Exchange differences	– 0.3	– 1.7	– 0.1	– 0.2	0.0	– 2.2
Balance as at 31 December	64.4	204.1	37.7	23.8	19.4	349.3
Acquisition costs	66.6	474.6	93.6	58.4	80.1	773.3
Accumulated depreciation and impairment	– 2.2	– 270.6	– 56.0	– 34.6	– 60.7	– 424.0
Balance as at 31 December	64.4	204.1	37.7	23.8	19.4	349.3
Of which: Assets held under finance leases	–	–	–	–	–	–

Depreciation and impairment form part of other operating expenses.

9. INTANGIBLE ASSETS

2015	Goodwill	Present value of gains on insurance contracts acquired	Deferred acquisition cost (life)	Deferred acquisition cost (non-life)	Other intangible assets	Internally developed intangible assets	Total
CHF million							
Balance as at 1 January	71.8	14.1	542.7	154.9	145.0	0.2	928.5
Additions arising from change in the scope of consolidation	2.3	–	–	0.1	–	–	2.4
Additions	–	–	–	–	28.8	0.1	28.9
Capitalisation of acquisition costs	–	–	53.3	237.8	–	–	291.1
Disposals	–	–	–	–	– 0.1	–	– 0.1
Disposals arising from change in the scope of consolidation	–	–	–	–	–	–	–
Reclassification	–	–	–	–	–	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	–	– 1.9	– 12.7	–	– 2.7	–	– 17.3
Amortisation and impairment							
Amortisation	–	– 1.7	– 38.4	– 235.7	– 27.6	– 0.1	– 303.6
Write-ups	–	–	2.0	–	–	–	2.0
Impairment losses recognised in profit or loss	–	– 1.1	–	–	–	–	– 1.1
Reversal of impairment losses recognised in profit or loss	–	–	–	–	–	–	–
Changes due to impending losses	–	–	– 26.8	0.8	–	–	– 26.0
Change due to unrealised gains and losses on financial instruments (shadow accounting)	–	–	4.9	–	–	–	4.9
Exchange differences	– 6.9	– 1.4	– 44.1	– 8.0	– 11.0	–	– 71.5
Balance as at 31 December	67.1	7.9	480.9	149.9	132.3	0.1	838.2
Acquisition costs	212.7	–	–	–	469.0	9.2	–
Accumulated amortisation and impairment	– 145.6	–	–	–	– 336.7	– 9.0	–
Balance as at 31 December[1]	67.1	7.9	480.9	149.9	132.3	0.1	838.2
Segment as at 31 December 2015							
Switzerland	–	–	94.4	53.1	26.0	–	173.5
Germany	29.0	7.9	376.5	39.0	2.7	–	455.2
Belgium	15.1	–	0.5	53.7	84.5	–	153.7
Luxembourg	23.0	–	9.4	4.1	13.6	–	50.1
Group business	–	–	–	–	5.5	0.1	5.7
Total for geographic regions	67.1	7.9	480.9	149.9	132.3	0.1	838.2

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

Intangible assets

2016	Goodwill	Present value of gains on insurance contracts acquired	Deferred acquisition cost (life)	Deferred acquisition cost (non-life)	Other intangible assets	Internally developed intangible assets	Total
CHF million							
Balance as at 1 January	67.1	7.9	480.9	149.9	132.3	0.1	838.2
Additions arising from change in the scope of consolidation	–	–	–	–	–	–	–
Additions	–	–	–	–	26.4	0.2	26.6
Capitalisation of acquisition costs	–	–	77.1	253.3	–	–	330.3
Disposals	–	–	–	–	–0.1	–	–0.1
Disposals arising from change in the scope of consolidation	–	–	–	–	–	–	–
Reclassification	–	–	–	–	–	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	–	–	–	–	–	–	–
Amortisation and impairment							
Amortisation	–	–0.8	–57.2	–251.2	–30.3	–0.1	–339.6
Write-ups	–	–	1.8	–	–	–	1.8
Impairment losses recognised in profit or loss	–	–	–	–	–	–	–
Reversal of impairment losses recognised in profit or loss	–	–	–	–	–	–	–
Changes due to impending losses	–	–	–3.0	–0.8	–	–	–3.8
Change due to unrealised gains and losses on financial instruments (shadow accounting)	–	–	–9.0	–	–	–	–9.0
Exchange differences	–0.8	–0.1	–5.0	–1.2	–1.2	–	–8.3
Balance as at 31 December	66.3	7.0	485.6	149.9	127.2	0.2	836.1
Acquisition costs	211.9	–	–	–	479.4	9.2	–
Accumulated amortisation and impairment	–145.6	–	–	–	–352.2	–9.1	–
Balance as at 31 December[1]	66.3	7.0	485.6	149.9	127.2	0.2	836.1
Segment as at 31 December 2016							
Switzerland	–	–	88.3	52.6	24.7	–	165.5
Germany	28.7	7.0	389.6	37.8	1.9	–	464.9
Belgium	14.9	–	0.6	55.3	79.3	–	150.1
Luxembourg	22.7	–	7.2	4.2	13.8	–	48.0
Group business	–	–	–	–	7.4	0.2	7.6
Total for geographic regions	66.3	7.0	485.6	149.9	127.2	0.2	836.1

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

9.1 Assumptions used to test the impairment of significant goodwill items

Assumptions used to forecast future business developments and trends have been reviewed by the local management teams and take account of macroeconomic conditions. The input factors are described in note 3.10.3 (Impairment losses on non-financial assets).

	Goodwill as at 31.12.		Discount rate (%)		Growth rate (%)	
	2015	2016	2015	2016	2015	2016
Zeus Vermittlungsgesellschaft mbH	13.2	13.1	10.4	9.6	1.0	1.0
Basler Financial Services GmbH	13.8	13.6	8.2	6.8	1.0	1.0
Bâloise Vie Luxembourg S.A.	6.9	6.8	8.5	7.0	2.5	2.5
Bâloise Assurances Luxembourg S.A.	15.6	15.4	8.5	7.0	2.5	2.5
Baloise Belgium NV	15.1	14.9	7.0	7.0	2.6	2.6

The impairment test in 2016 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 2016 or in 2015, to the carrying amount of an entity being significantly higher than its recoverable value.

10. INVESTMENTS IN ASSOCIATES

10.1 Significant investments in associates

OVB Holding Ltd is a European sales company for risk cover, retirement pension and health care products as well as wealth-building products. It also brokers Basler Versicherungen products. The company is strategically important because it constitutes a significant distribution channel.

The financial information reflects the amounts reported in the financial statements of the associate rather than the share of those amounts that is attributable to the Baloise Group. The associate's financial statements are prepared in accordance with IFRS. OVB Holding Ltd is included in the Baloise Group's consolidated annual financial statements under the equity method. Because the publicly traded OVB Holding Ltd's relevant financial year-end closing information, which is used for measurement purposes, had not been published by the time the Financial Report was being prepared, measurement has been based in each case on the financial closing data for the period ended 30 September of the reporting year.

SIGNIFICANT INVESTMENTS IN ASSOCIATES

	OVB Holding Ltd	
CHF million		
Assets	**30.9.2015**	30.9.2016
Non-current assets	21.7	24.7
Current assets	145.5	151.8
Total assets	167.2	176.5
Equity and liabilities	**30.9.2015**	30.9.2016
Equity	90.0	91.6
Non-current liabilities	1.2	1.0
	76.0	83.8
Total assets	167.2	176.5
Profit for the period	**1.–9.2015**	1.–9.2016
Income	172.4	183.8
Expense	164.4	173.1
Profit for the period	8.0	10.7
Comprehensive income (balance sheet)	0.0	0.0
Comprehensive income (income statement)	0.3	–0.2
Comprehensive income	8.3	10.5
Dividends paid to the Baloise Group	3.4	3.2
Baloise Group's interest (per cent)	32.6%	32.6%
Carrying amount as at 30 September	65.7	65.7
Fair value as at 30 September	79.6	79.9

10.2 Non-significant investments in associates

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

2015	Carrying amount	Baloise's share of			
		profit or loss for the period from continuing operations	profit or loss for the period from discontinued operations	other comprehensive income	comprehensive income
CHF million					
Total	96.6	6.1	0.0	0.4	6.5

2016	Carrying amount	Baloise's share of			
		profit or loss for the period from continuing operations	profit or loss for the period from discontinued operations	other comprehensive income	comprehensive income
CHF million					
Total	94.7	4.1	0.0	0.0	4.0

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 2016 or 31 December 2015.

As at 31 December 2016, the Baloise Group held more than 20 per cent of the capital of three companies but does not have any influence over these companies' management. As a result, they are not reported as associates.

11. INVESTMENT PROPERTY

CHF million	2015	2016
Balance as at 1 January	5,962.9	6,251.9
Additions	394.9	453.7
Additions arising from change in scope of consolidation	–	73.9
Disposals	–82.0	–49.5
Disposals arising from change in scope of consolidation	–	–
Reclassification	–47.2	31.8
Reclassification to non-current assets and disposal groups classified as held for sale	–	–
Change in fair value	113.5	67.7
Exchange differences	–90.1	–12.0
Balance as at 31 December	6,251.9	6,817.5
Operating expenses arising from investment property that generates rental income	68.8	83.2
Operating expenses arising from investment property that does not generate rental income	0.7	0.6

The increase in the portfolio during the reporting year was largely attributable to real estate acquired by Baloise's Swiss entities. The additions arising from changes in the scope of consolidation primarily related to the acquisition of the Belgian real-estate company Postsite Aalst.

12. FINANCIAL ASSETS

CHF million	31.12.2015	31.12.2016
Financial assets of an equity nature		
Available for sale	4,443.3	4,357.1
Recognised at fair value through profit or loss	1,173.8	1,002.3
Financial assets of a debt nature		
Held to maturity	8,549.5	8,224.6
Available for sale	23,024.6	23,806.7
Recognised at fair value through profit or loss	46.6	30.8
Financial assets for own account and at own risk	37,237.7	37,421.6
Financial assets for the account and at the risk of life insurance policyholders and third parties		
Recognised at fair value through profit or loss[1]	9,781.5	10,650.6
Financial assets as reported on the balance sheet	47,019.2	48,072.2

1 Of which financial assets totalling CHF 99.5 million (2015: CHF 98.8 million) involved insurance policies that had not been fully reviewed by the balance sheet date.

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FINANCIAL ASSETS FOR OWN ACCOUNT AND AT OWN RISK

	Held to maturity	
as at 31.12.	2015	2016
CHF million		
Financial assets of an equity nature		
Publicly listed	–	–
Not publicly listed	–	–
Total	–	–
Financial assets of a debt nature		
Publicly listed, fixed-interest rate	8,549.5	8,224.6
Publicly listed, variable interest rate	–	–
Not publicly listed, fixed-interest rate	–	–
Not publicly listed, variable interest rate	–	–
Total	8,549.5	8,224.6

No impairment losses had to be recognised on held-to-maturity financial instruments with characteristics of liabilities, during either the reporting year or the prior year.

	Available for sale		Recognised at fair value through profit or loss				Total	
			Trading portfolio		Designated			
	2015	2016	2015	2016	2015	2016	2015	2016
	2,651.2	2,471.8	–	–	285.7	310.7	2,936.9	2,782.6
	1,792.1	1,885.3	–	–	888.1	691.5	2,680.2	2,576.9
	4,443.3	4,357.1	–	–	1,173.8	1,002.3	5,617.1	5,359.4
	22,992.4	23,765.6	–	–	0.1	0.1	31,541.9	31,990.3
	8.9	11.8	–	–	28.2	25.3	37.1	37.1
	23.3	29.3	–	–	18.3	5.5	41.6	34.8
	–	–	–	–	–	–	–	–
	23,024.6	23,806.7	–	–	46.6	30.8	31,620.6	32,062.1

FINANCIAL ASSETS FOR OWN ACCOUNT AND AT OWN RISK

	Held to maturity	
as at 31.12.	2015	2016
CHF million		
Type of financial asset		
Equities	–	–
Equity funds	–	–
Mixed funds	–	–
Bond funds	–	–
Real estate funds	–	–
Private equity	–	–
Hedge funds	–	–
Financial assets of an equity nature	–	–
Public corporations	7,475.8	7,208.0
Industrial enterprises	18.0	14.6
Financial institutions	1,040.5	986.9
Other	15.2	15.0
Financial assets of a debt nature	8,549.5	8,224.6
Total	8,549.5	8,224.6
Secured financial assets of a debt nature		
Public corporations	27.3	10.7
Industrial enterprises	–	–
Financial institutions	975.8	922.2
Other	–	–
Total	1,003.1	933.0

Secured financial instruments with characteristics of liabilities are fixed-income securities for which a mortgage or a government bond has been securitised as collateral.

	Available for sale		Recognised at fair value through profit or loss				Total	
			Trading portfolio		Designated			
	2015	2016	2015	2016	2015	2016	2015	2016
	2,596.1	2,466.5	–	–	–	–	2,596.1	2,466.5
	35.3	33.7	–	–	25.7	33.9	61.0	67.6
	145.2	155.6	–	–	1,134.9	933.7	1,280.2	1,089.3
	51.6	58.1	–	–	13.2	34.6	64.8	92.7
	355.4	339.2	–	–	0.0	0.0	355.4	339.2
	587.6	627.7	–	–	–	–	587.6	627.7
	672.0	676.4	–	–	–	–	672.0	676.4
	4,443.3	4,357.1	–	–	1,173.8	1,002.3	5,617.1	5,359.4
	11,344.6	11,126.9	–	–	18.1	16.9	18,838.6	18,351.8
	4,932.7	6,410.9	–	–	–	–	4,950.7	6,425.5
	6,747.0	6,268.8	–	–	28.4	13.9	7,815.9	7,269.6
	0.2	0.2	–	–	–	–	15.4	15.2
	23,024.6	23,806.7	–	–	46.6	30.8	31,620.6	32,062.1
	27,467.8	28,163.9	–	–	1,220.4	1,033.1	37,237.7	37,421.6
	306.3	239.0	–	–	–	–	333.6	249.8
	–	6.5	–	–	–	–	–	6.5
	4,369.3	4,025.7	–	–	–	–	5,345.1	4,947.9
	0.2	0.2	–	–	–	–	0.2	0.2
	4,675.8	4,271.4	–	–	–	–	5,678.9	5,204.4

FAIR VALUE OF FINANCIAL ASSETS CLASSIFIED AS HELD TO MATURITY

	Carrying amount		Fair value	
as at 31.12.	2015	2016	2015	2016
CHF million				
Public corporations	7,475.8	7,208.0	8,822.3	8,774.3
Industrial enterprises	18.0	14.6	19.2	15.5
Financial institutions	1,040.5	986.9	1,149.5	1,098.3
Other	15.2	15.0	16.3	16.0
Total	8,549.5	8,224.6	10,007.4	9,904.1

13. MORTGAGES AND LOANS

	Gross amount		Impairment		Carrying amount		Fair value	
as at 31.12.	2015	2016	2015	2016	2015	2016	2015	2016
CHF million								
Mortgages and loans carried at cost								
Mortgages	10,157.1	9,818.1	–31.2	–24.3	10,125.9	9,793.8	10,644.2	10,265.8
Policy loans	140.7	131.5	–	–	140.7	131.5	152.6	144.1
Promissory notes and registered bonds	4,382.5	4,351.6	–	–2.1	4,382.5	4,349.5	4,856.1	4,893.5
Time deposits	917.8	838.1	–	–	917.8	838.1	919.4	839.5
Employee loans	28.1	25.7	–	–	28.1	25.7	28.6	26.2
Reverse repurchase agreements	–	–	–	–	–	–	–	–
Other loans	331.4	334.4	–13.7	–15.3	317.7	319.1	328.7	325.5
Sub-total	15,957.5	15,499.4	–44.9	–41.7	15,912.6	15,457.7	16,929.6	16,494.6
Mortgages and loans recognised at fair value through profit or loss								
Mortgages	743.7	896.8	–	–	743.7	896.8	743.7	896.8
Policy loans	0.3	0.3	–	–	0.3	0.3	0.3	0.3
Sub-total	744.0	897.0	–	–	744.0	897.0	744.0	897.0
Mortgages and loans	16,701.5	16,396.4	–44.9	–41.7	16,656.6	16,354.7	17,673.6	17,391.7

IMPAIRMENT OF MORTGAGES AND LOANS

	2015	2016
CHF million		
Balance as at 1 January	–48.7	–44.9
Usage not recognised in profit or loss	1.3	11.4
Unused provisions reversed through profit or loss	5.6	2.1
Increases and additional provisions recognised in profit or loss	–5.7	–10.5
Disposal arising from change in scope of consolidation	–	–
Reclassification	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	0.0	–
Currency translation	2.5	0.2
Balance as at 31 December	–44.9	–41.7

14. DERIVATIVE FINANCIAL INSTRUMENTS

as at 31.12.	Fair value assets 2015	Fair value assets 2016	Fair value liabilities 2015	Fair value liabilities 2016
CHF million				
Derivative financial instruments for own account and at own risk	363.2	363.0	250.8	299.0
Derivative financial instruments for the account and at the risk of life insurance policyholders and third parties	290.7	394.4	–	–
Derivative financial instruments as reported on the balance sheet	653.9	757.3	250.8	299.0

as at 31.12.	Contract value 2015	Contract value 2016	Fair value assets 2015	Fair value assets 2016	Fair value liabilities 2015	Fair value liabilities 2016
CHF million						
Interest rate instruments						
Forward contracts	–	–	–	–	–	–
Swaps	971.9	1,313.0	63.5	72.8	88.6	79.7
OTC options	1,121.6	607.3	158.2	90.9	13.3	14.9
Other	0.2	0.9	43.0	113.4	21.2	30.7
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Sub-total	2,093.6	1,921.1	264.7	277.0	123.1	125.3
Equity instruments						
Forward contracts	–	–	–	–	–	–
OTC options	2,402.8	2,431.0	54.4	39.2	4.9	11.1
Traded options	607.8	703.8	11.0	11.4	17.0	14.8
Traded futures	–	–	–	–	–	–
Sub-total	3,010.6	3,134.8	65.5	50.7	21.9	25.9
Foreign currency instruments						
Forward contracts	8,014.0	8,591.6	31.5	34.2	104.3	146.1
Swaps	–	–	–	–	–	–
OTC options	1,149.7	652.4	1.5	1.0	1.6	1.7
Traded options	–	–	–	–	–	–
Traded futures	–	–	–	–	–	–
Sub-total	9,163.7	9,244.1	33.1	35.3	105.8	147.8
Total	14,267.9	14,300.0	363.2	363.0	250.8	299.0
Of which: designated as fair value hedges	–	–	–	–	–	–
Of which: designated as cash flow hedges	–	–	–	–	–	–
Of which: designated as hedges of a net investment in a foreign operation	1,162.5	1,086.2	7.2	0.8	10.5	27.5

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

15. RECEIVABLES

	Gross amount		Impairment		Carrying amount		Fair value	
as at 31.12.	2015	2016	2015	2016	2015	2016	2015	2016
CHF million								
Receivables carried at cost								
Receivables from financial contracts	9.9	4.2	–	–	9.9	4.2	9.9	4.2
Other receivables	320.0	464.9	– 2.5	– 1.8	317.5	463.1	318.5	464.2
Receivables from investments	493.0	453.3	– 1.7	– 1.6	491.3	451.6	491.3	451.6
Receivables	822.9	922.4	– 4.2	– 3.4	818.7	919.0	819.8	920.0

IMPAIRMENT OF RECEIVABLES

	2015	2016
CHF million		
Balance as at 1 January	– 4.4	– 4.2
Usage not recognised in profit or loss	0.1	0.2
Unused provisions reversed through profit or loss	0.9	1.4
Increases and additional provisions recognised in profit or loss	– 1.1	– 0.8
Disposal arising from change in scope of consolidation	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	0.0	–
Currency translation	0.2	0.0
Balance as at 31 December	– 4.2	– 3.4

16. REINSURANCE ASSETS

CHF million	2015	2016
Reinsurers' share of technical reserves as at 1 January	421.5	410.8
Change in unearned premium reserves	1.5	0.2
Benefits paid	–75.7	–94.5
Interest on and change in liability	97.0	103.6
Additions / disposals arising from change in scope of consolidation	5.2	–
Impairment	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	–1.7	–
Exchange differences	–36.9	–4.9
Reinsurers' share of technical reserves as at 31 December	410.8	415.2

17. RECEIVABLES FROM REINSURERS

CHF million	2015	2016
Reinsurance deposits as at 1 January	8.3	7.8
Additions	1.0	1.2
Disposals	–0.8	–0.2
Additions / disposals arising from change in scope of consolidation	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	–	–
Exchange differences	–0.8	–0.1
Reinsurance deposits as at 31 December	7.8	8.7
Other reinsurance receivables as at 1 January	71.8	44.6
Additions	79.0	99.5
Disposals	–105.5	–104.9
Additions / disposals arising from change in scope of consolidation	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	–	–
Exchange differences	–0.8	–0.3
Other reinsurance receivables as at 31 December	44.6	38.9
Impairment of receivables from reinsurers as at 1 January	–0.5	–0.1
Usage not recognised in profit or loss	–	–
Unused provisions reversed through profit or loss	0.4	0.1
Increases and additional provisions recognised in profit or loss	0.0	–0.1
Disposal arising from change in scope of consolidation	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	–	–
Currency translation	0.0	0.0
Impairment of receivables from reinsurers as at 31 December	–0.1	–0.1
Receivables from reinsurers as at 31 December	52.3	47.5

18. EMPLOYEE BENEFITS

18.1 Receivables and liabilities arising from employee benefits

	Receivables from employee benefits		Liabilities arising from employee benefits	
as at 31.12.	2015	2016	2015	2016
CHF million				
Type of benefit				
Short-term employee benefits	1.1	0.8	111.7	107.7
Post-employment benefits – defined contribution plans	–	–	–	–
Post-employment benefits – defined benefit plans	–	–	1,200.5	1,316.9
Other long-term employee benefits	–	–	30.8	29.1
Termination benefits	–	–	12.7	10.2
Total	1.1	0.8	1,355.6	1,463.9

18.2 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 that of the former Avéro Schadeverzekering Benelux NV.

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.

18.2.1 Fair value of plan assets

CHF million	2015	2016
Balance as at 1 January	2,337.4	2,373.2
Interest rate effect	17.7	15.0
Return on plan assets	20.2	10.7
Employees’ savings and purchases	32.3	29.2
Exchange differences	–1.2	–0.2
Employer contribution	57.4	57.9
Employee contribution	30.2	30.7
Benefits paid	–120.8	–141.6
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 and disposal groups classified as held for sale	–	–
Gains and losses on plan settlements	–	–
Balance as at 31 December	2,373.2	2,374.8

18.2.2 Partially funded liabilities under defined benefit plans

CHF million	2015	2016
Balance as at 1 January	–2,721.3	–2,821.2
Current service cost	–90.0	–92.7
Interest rate effect	–20.8	–17.9
Employees’ savings and purchases	–32.3	–29.2
Actuarial gains / losses on defined benefit obligations arising from		
changes in financial assumptions	–33.7	–52.6
changes in demographic assumptions	–	–19.1
experience adjustments	–46.0	–5.3
Exchange differences	2.2	0.2
Unrecognised past service cost	–	47.7
Benefits paid	120.8	141.6
Additions / disposals arising from change in scope of consolidation	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	–	–
Gains and losses on plan settlements	–	–
Balance as at 31 December	–2,821.2	–2,848.5

18.2.3 Unfunded liabilities under defined benefit plans

	2015	2016
CHF million		
Balance as at 1 January	– 896.9	– 752.5
Current service cost	– 16.7	– 14.0
Interest rate effect	– 12.9	– 15.4
Employees’ savings and purchases	– 1.0	–
Actuarial gains / losses on defined benefit obligations arising from		
changes in financial assumptions	63.7	– 88.2
changes in demographic assumptions	– 0.4	– 1.9
experience adjustments	– 1.4	– 1.3
Exchange differences	82.5	10.1
Unrecognised past service cost	– 0.3	– 14.0
Benefits paid	27.8	30.7
Additions / disposals arising from change in scope of consolidation	– 0.7	–
Reclassification to non-current assets and disposal groups classified as held for sale	3.8	3.2
Gains and losses on plan settlements	–	–
Balance as at 31 December	– 752.5	– 843.2

18.2.4 Net actuarial liabilities under defined benefit plans

	31.12.2015	31.12.2016
CHF million		
Fair value of plan assets	2,373.2	2,374.8
Present value of (partially) funded liabilities	– 2,821.2	– 2,848.5
Present value of unfunded liabilities	– 752.5	– 843.2
Effect of the asset ceiling	–	–
Net actuarial liabilities under defined benefit plans	– 1,200.5	– 1,316.9

18.2.5 Asset allocation

CHF million	31.12.2015	31.12.2016
Cash and cash equivalents	51.4	52.8
Real estate	430.6	456.1
Equities and investment funds		
publicly listed	1,368.2	1,313.6
not publicly listed	140.5	142.4
Fixed-interest assets		
publicly listed	98.3	114.0
not publicly listed	–	–
Mortgages and loans	292.4	315.2
Derivatives		
publicly listed	–	–
not publicly listed	– 4.0	– 6.3
Other	– 4.1	– 12.9
Fair value of plan assets	2,373.2	2,374.8
Of which: Bâloise Holding Ltd shares (fair value) and convertible bonds (fair value)	29.4	28.8
Of which: real estate leased to the Baloise Group	–	–

The investment funds are mainly fixed-income funds.

18.2.6 Expenses for defined benefit plans recognised in the income statement

CHF million	2015	2016
Current service cost	– 106.7	– 106.6
Net interest cost	– 16.1	– 18.4
Unrecognised past service cost	– 0.3	33.7
Gains and losses on plan settlements	–	–
Expected return on reimbursement rights	–	–
Regular employee contribution	30.9	31.4
Total expenses for defined benefit plans recognised in the income statement	– 92.2	– 59.9

18.2.7 Actuarial assumptions

	2015	2016
Per cent		
Discount rate	0.9	0.8
Expected wage and salary increases	1.4	1.4
Expected increase in pension benefits	0.3	0.3
Weighted annuity option take-up rate	81.3	81.0
Years		
Average life expectancy of a 65-year-old woman	23.9	24.2
Average life expectancy of a 65-year-old man	21.0	21.6

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.

18.2.8 Sensitivity analysis for liabilities under defined benefit plans

	31.12.2015	31.12.2016
CHF million		
Total defined benefit obligation as shown	3,573.7	3,691.7
Discount rate plus 0.5 % age points	–224.3	–268.2
Discount rate minus 0.5 % age points	290.0	303.8
Expected wage and salary increases plus 0.5 % age points	36.0	36.3
Expected wage and salary increases minus 0.5 % age points	–34.1	–34.4
Expected pension benefits increases plus 0.5 % age points	200.2	205.4
Expected pension benefits increases minus 0.5 % age points	–31.3	–36.3
Mortality probabilities for 65-year-olds plus 10.0 % age points	–88.4	–93.5
Mortality probabilities for 65-year-olds minus 10.0 % age points	96.6	102.8
Weighted share of annuity option plus 10.0 % age points	22.7	14.5

The Baloise Group determines the sensitivities of liabilities under defined benefit plans by recalculating them using the same models as used for the calculation of the effective value. In this calculation, only one parameter of the base scenario is changed. Possible interaction between individual parameters is not taken into consideration. The effect resulting from various parameters occurring simultaneously may vary from the sum total of individually determined differences.

The sensitivity is only calculated for the liability. A possible simultaneous impact on plan assets is not investigated.

18.2.9 Funding of plan benefits

The plan assets of the Swiss plans are funded jointly by the employer and employee. The amount of individual contributions depends largely on an employee's remuneration and age. Statutory regulations require employers to contribute a minimum of 50 per cent of the total contributions for part of the insured benefits.

18.2.10 Estimated employer contribution

The employer's contribution for the following year can only be predicted with a limited degree of certainty. The Baloise Group expects to pay employer contributions of approximately CHF 62.5 million for the 2017 financial year.

18.2.11 Maturity profile

The maturity profile of liabilities under pension plans differs depending on whether benefits are prospective or current entitlements. For prospective benefit entitlements, the average expected remaining service period is 10.3 years; the average present value factor for current benefit entitlements under pension commitments is 16.6 years.

18.3 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 2016 totalled CHF 29.1 million (2015: CHF 30.8 million). There were no disposals of plan assets for long-term employee benefits. Benefits paid out amounted to CHF 4.7 million (2015: CHF 4.0 million).

18.4 Share-based payment plans

For some time now, the Baloise Group has offered employees and management team members the chance to participate in various plans under which shares are granted as part of their overall remuneration packages: the Employee Incentive Plan, the Share Subscription Plan and the Share Participation Plan as well as Performance share units (PSU). All these plans are equity-settled remuneration programmes. In 2016, a sum of CHF 21.8 million (2015: CHF 20.8 million) was recognised as an expense in profit or loss in connection with the following share-based payment plans.

18.4.1 Employee Incentive Plan

The Baloise Foundation for Employee Participation set up in 1989 offers members of staff working for various Baloise Group companies in Switzerland the opportunity to purchase shares in Bâloise Holding Ltd (usually once a year) at a preferential price in compliance with the regulations adopted by the Board of Foundation. This encourages employees to maintain their commitment to the Company over the long term by becoming shareholders. The subscription price is fixed by the Board of Foundation at the beginning of the subscription period and is then published on the intranet. It equals half of the volume-weighted average share price calculated for the month of August in each subscription year. In 2016 the subscription price amounted to CHF 56.40 (2015: CHF 60.40) and a total of 183,678 shares were subscribed (2015: 172,796). Title to the subscribed shares passes to the relevant employees with effect from 1 September each year, and the shares are subject to a three-year closed period.

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

EMPLOYEE INCENTIVE PLAN

	2015	2016
Number of shares subscribed	172,796	183,678
Restricted until	31.8.2018	31.8.2019
Subscription price per share (CHF)	60.40	56.40
Value of shares subscribed (CHF million)	10.4	10.4
Fair value of subscribed shares on subscription date (CHF million)	20.5	21.5
Employees entitled to participate	3,181	3,098
Participating employees	1,920	2,029
Subscribed shares per participant (average)	90.0	90.5

18.4.2 Share Subscription Plan

Since January 2003 those who qualify as eligible persons at Baloise Group companies in Switzerland – and, since 2008, the members of the Executive Committees at companies outside Switzerland as well – have been able to subscribe for shares at a preferential price as part of their short-term variable remuneration. The subscription date is 1 March of each year; although title to the shares passes to the relevant employees on this date without any further vesting conditions having to be met, the shares cannot be sold for the duration of a three-year closed period.

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

SHARE SUBSCRIPTION PLAN (SSP)

	2015	2016
Number of shares subscribed	38,386	35,475
Restricted until[1]	28.2.2018	28.2.2019
Subscription price per share (CHF)	114.75	109.26
Value of shares subscribed (CHF million)	4.4	3.9
Fair value of subscribed shares on subscription date (CHF million)	4.8	4.5
Employees entitled to participate	908	929
Participating employees	85	110
SSP portion of variable remuneration	15 %	14 %

1 The closed period during which shares are allocated to the Chairman of the Board of Directors is five years instead of three. This means that the shares are restricted until 29 February 2020 and 28 February 2021 respectively.

18.4.3 Share Participation Plan

Since May 2001 it has been possible for most management team members working in Switzerland to receive part of their short-term variable remuneration in the form of shares from the Share Participation Plan instead of receiving cash. Within certain limits they are free to choose what proportion of their short-term variable remuneration they receive in the form of such shares. Most senior management team members are subject to upper limits; members of the Corporate Executive Committee – who are obliged to receive at least half of their short-term variable remuneration in the form of shares – are not allowed to receive more than 40 per cent of their entitlement in the form of shares from the Share Participation Plan. The subscription date is 1 March of each year (the same as for the Share Subscription Plan); although title to the shares passes to the relevant employees on this date without any further vesting conditions having to be met, the shares cannot be sold for the duration of a three-year closed period.

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

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

SHARE PARTICIPATION PLAN (SPP)

	2015	2016
Number of shares subscribed[1]	79,817	104,075
Restricted until	28.2.2018	28.2.2019
Subscription price per share[2] (CHF)	112.70	106.59
Value of shares subscribed[2] (CHF million)	9.0	11.1
Fair value of subscribed shares on subscription date (CHF million)	9.9	13.1
Employees entitled to participate	908	909
Participating employees	69	104
SPP portion of variable remuneration	5 %	6 %

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

18.4.4 Performance share units

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

The number of shares that can be subscribed after three years – i.e. at the end of the vesting period – depends on the performance of Baloise shares relative to a peer group. This comparative performance multiplier can be anywhere between 0.5 and 1.5. The peer group comprises the 36 leading European insurance companies contained in the STOXX Europe 600 Insurance Index.

Companies in the STOXX 600 Europe Insurance Index (as at 31 December 2016)

ADMIRAL GRP	DELTA LLOYD	OLD MUTUAL	SWISS LIFE HLDG
AEGON	DIRECT LINE INSURANCE GROUP	PHOENIX GROUP HDG.	SWISS REINSURANCE COMPANY
AGEAS	GJENSIDIGE	POSTE ITALIANE	TOPDANMARK
ALLIANZ	HANNOVER RUECK	PRUDENTIAL	TRYG
ASSICURAZIONI GENERALI	HELVETIA HLDG	RSA INSURANCE GRP	UNIPOLSAI
AVIVA	HISCOX	SAMPO	ZURICH INSURANCE GROUP
AXA	LEGAL & GENERAL GRP	SCOR	
BALOISE	MAPFRE	ST. JAMES'S PLACE CAPITAL	
BEAZLEY	MUENCHENER RUECK	STANDARD LIFE	
CNP ASSURANCES	NN GROUP	STOREBRAND	

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

One PSU generally confers the right to receive one share. This is the case if Baloise shares perform in line with the median of their peer group. In this case the performance multiplier would be 1.0. Programme participants receive more shares in exchange for their PSUs if Baloise shares outperform their peer group. The multiplier reaches the maximum of 1.5 if the performance of Baloise shares is in the top quartile of companies in the peer group. The multiplier amounts to 0.5 if the performance of Baloise shares is in the bottom quartile of companies in the peer group. If the performance of Baloise shares is in either of the two middle quartiles, a linear scale is used to calculate the performance multiplier. The performance multiplier for the entire vesting period ended is based on the closing stock market prices on the final trading day of the respective vesting period.

Participants receive the pertinent number of shares once the vesting period has elapsed, which means that for the PSUs allocated in 2016 they receive their shares on 1 March 2019. If an individual's employment contract is terminated during the vesting period, the PSUs expire without the person concerned receiving any consideration or compensation. This does not apply if the employment contract ends due to retirement, disability or death. It also does not apply if the contract is terminated but the programme participant does not join a rival company or is not personally at fault for the termination of the contract. In the latter two cases, some of the allocated PSUs will still expire. The number of PSUs expiring is proportional to the amount of time remaining until the end of the vesting period. In addition, the Remuneration Committee has the powers to claw back some or all of the PSUs allocated to an individual or to a group of programme participants if there are specific reasons for doing so. Such specific reasons include, for example, serious breaches of internal or external regulations, the taking of inappropriate risks that are within an individual's control, and the type of conduct or behaviour that would increase the risks to Baloise.

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

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

PERFORMANCE SHARE UNIT (PSU) PLAN

	PSUs granted		PSUs converted				Change in value
	Date	Price (CHF)[1]	Date	Multiplier	Price (CHF)[1]	Value (CHF)[2]	[3]
2007	1.3.2007	125.80	1.1.2010	1.182	86.05	101.71	–19%
2008	1.1.2008	109.50	1.1.2011	1.24	91.00	112.84	3%
2009	1.1.2009	82.40	1.1.2012	0.64	64.40	41.22	–50%
2010	1.1.2010	86.05	1.1.2013	0.58	78.50	45.53	–47%
2011	1.1.2011	91.00	1.1.2014	0.77	113.60	87.47	–4%
2012	1.3.2012	71.20	1.3.2015	1.21	124.00	150.04	111%
2013	1.3.2013	84.50	1.3.2016	1.50	126.00	189.00	124%
2014	1.3.2014	113.40	1.3.2017	[4] 0.95	[4] 128.30	[4] 121.72	[4] 7%
2015	1.3.2015	124.00	1.3.2018	[4] 1.20	[4] 128.30	[4] 153.33	[4] 24%
2016	1.3.2016	126.00	1.3.2019	[4] 0.50	[4] 128.30	[4] 64.15	[4] –49%

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 2007: ([{1.182 × 86.05} – 125.80] / 125.80) × 100 = –19%.
4 Interim measurement as at 31 December 2016.

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

- interest rate of 1 per cent;
- the volatilities of all shares in the peer group and their correlations with each other (measured over a three-year track record);
- the expected dividend yields;
- empirical data on how long eligible programme participants remain with the Company.

PERFORMANCE SHARE UNITS (PSU)

	Plan 2014	Plan 2015	Plan 2016
Employees entitled to participate at launch of programme	65	62	69
Number of allocated PSU	49,144	42,162	40,748
Of which: expired (departures in 2014)	– 2,308	–	–
Number of active PSUs as at 31 December 2014	46,836	–	–
Of which: expired (departures in 2015)	– 1,129	0	–
Number of active PSUs as at 31 December 2015	45,707	42,162	–
Of which: expired (departures in 2016)	– 1,121	– 2,429	– 604
Number of active PSUs as at 31 December 2016	44,586	39,733	40,144
Value of allocated PSUs on issue date (CHF million)	5.6	5.1	5.3
PSU expense incurred by the Baloise Group for 2014 (CHF million)	1.3	–	–
PSU expense incurred by the Baloise Group for 2015 (CHF million)	1.9	1.4	–
PSU expense incurred by the Baloise Group for 2016 (CHF million)	1.6	1.5	1.3

19. DEFERRED INCOME TAXES

19.1 Deferred tax assets and liabilities

DEFERRED TAX ASSETS

2015 (restated)	Balance as at 1 January	Change recognised in profit or loss	Change recognised directly in equity	Change in the scope of consolidation	Reclassification in accordance with IFRS 5	Exchange differences	Balance as at 31 December
CHF million							
Financial assets	45.8	– 7.2	–	–	– 2.4	– 4.6	31.6
Other investments	16.5	2.6	–	–	0.0	– 0.1	19.0
Other comprehensive income	119.6	–	3.8	–	0.1	– 4.7	118.8
Tax losses carried forward	43.5	– 10.5	–	–	–	– 2.4	30.6
Insurance receivables	5.5	1.8	–	0.3	–	– 0.5	7.1
Technical reserves	448.3	60.0	–	–	– 22.0	– 34.0	452.3
Insurance liabilities	600.3	109.0	–	–	–	– 56.5	652.8
Liabilities arising from banking business and financial contracts	156.4	– 18.9	–	–	–	– 12.0	125.5
Liabilities arising from employee benefits	76.6	– 0.4	–	0.1	– 0.6	– 6.7	69.0
Other	46.8	– 1.0	–	0.3	– 0.5	– 2.1	43.6
Total	1,559.4	135.4	3.8	0.6	– 25.4	– 123.6	1,550.1

2016	Balance as at 1 January (restated)	Change recognised in profit or loss	Change recognised directly in equity	Change in the scope of consolidation	Reclassification in accordance with IFRS 5	Exchange differences	Balance as at 31 December
CHF million							
Financial assets	31.6	0.3	–	–	–	– 0.4	31.5
Other investments	19.0	– 2.5	–	–	–	0.0	16.5
Other comprehensive income	118.8	–	27.4	–	–	– 0.6	145.6
Tax credits and losses carried forward[1]	30.6	43.9	–	–	–	– 0.1	74.3
Insurance receivables	7.1	– 1.2	–	–	–	0.0	5.9
Technical reserves	452.3	10.5	–	–	–	– 4.1	458.7
Insurance liabilities	652.8	130.5	–	–	–	– 9.8	773.5
Liabilities arising from banking business and financial contracts	125.5	8.7	–	–	–	– 1.2	133.0
Liabilities arising from employee benefits	69.0	0.1	–	–	– 0.9	– 0.8	67.5
Other	43.6	2.5	–	0.4	–	– 0.1	46.3
Total	1,550.1	192.8	27.4	0.4	– 0.9	– 17.0	1,752.8

1 As a result of the transfer of the intercompany reinsurance activities of Baloise Insurance Bermuda to Switzerland, tax assets of CHF 26.9 million were recognised in 2016.

DEFERRED TAX LIABILITIES

2015 (restated)	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							
Depreciable assets	4.0	−0.1	–	–	–	−0.4	3.6
Other intangible assets	4.9	−0.5	–	–	−0.6	−0.5	3.3
Deferred acquisition costs	215.0	−1.8	–	0.0	−4.0	−17.1	192.0
Long-term equity investments	54.6	−10.0	–	–	–	−1.6	43.1
Investment property	352.5	−10.3	–	–	–	−9.2	333.0
Financial assets	103.3	12.2	–	–	−2.8	−0.7	112.1
Other investments	89.6	4.9	–	–	0.0	−6.0	88.5
Other comprehensive income	467.8	–	−129.0	0.2	−2.2	−31.5	305.3
Insurance receivables	1.2	0.4	–	–	0.0	−0.1	1.5
Technical reserves	1,217.8	168.0	–	0.0	−19.7	−92.5	1,273.7
Other	63.9	1.7	–	–	–	−1.6	64.0
Total	2,574.6	164.5	−129.0	0.2	−29.3	−161.1	2,420.0

2016	Balance as at 1 January (restated)	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							
Depreciable assets	3.6	0.0	–	–	–	0.0	3.5
Other intangible assets	3.3	0.0	–	–	–	0.0	3.3
Deferred acquisition costs	192.0	11.0	–	–	–	−2.1	201.0
Long-term equity investments	43.1	−3.4	–	–	–	−0.1	39.6
Investment property	333.0	19.7	–	9.8	–	−0.9	361.7
Financial assets	112.1	5.8	–	–	–	−0.1	117.8
Other investments	88.5	7.3	–	–	–	−0.7	95.1
Other comprehensive income	305.3	–	19.6	–	–	−2.9	322.0
Insurance receivables	1.5	0.3	–	–	–	0.0	1.7
Technical reserves	1,273.7	150.3	–	–	–	−13.6	1,410.4
Other	64.0	8.5	–	–	–	−0.1	72.4
Total	2,420.0	199.4	19.6	9.8	–	−20.5	2,628.4

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 195.1 million as at 31 December 2016 (2015: CHF 130.4 million). Of this total, CHF 0.6 million will expire after one year, 0.2 million after two to four years and CHF 194.3 million will expire after five years or more.

As a result of the transfer of the intragroup reinsurance business (Baloise Insurance Company Bermuda Ltd) to Switzerland, the Baloise Group had offsettable tax assets of CHF 134.7 million as at 31 December 2016, which it can use until the end of 2025.

No deferred tax assets had been recognised on tax loss carryforwards amounting to CHF 213.5 million as at 31 December 2016 (2015: CHF 238.2 million) because the relevant offsetting criteria had not been met. Of this total, CHF 4.1 million will expire after one year, a further CHF 22.1 million will expire after two to four years and CHF 187.3 million will expire after five years or more.

19.2 Deferred income taxes

	31.12.2015 (restated)	31.12.2016
CHF million		
Deferred tax assets	1,550.1	1,752.8
Deferred tax liabilities	–2,420.0	–2,628.4
Total (net)	–869.9	–875.6
Of which: recognised as deferred tax assets	39.8	69.3
Of which: recognised as deferred tax liabilities	–909.7	–944.9

20. OTHER ASSETS

“Other assets” include the fair value of precious metals amounting to CHF 54.5 million in connection with private placement life insurance (2015: CHF 40.2 million). The insurance policyholder bears the price risk attaching to these precious metal holdings.

21. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The sale to the Frankfurter Leben Group of the portfolio of life insurance policies, which had been in run-off since the end of 2011, held by the German branch of Baloise Life Ltd (Basler Leben DfD [Direktion für Deutschland]) was formally completed on 16 September 2015. The portfolio that had been held for sale, and the associated assets and liabilities, have been treated as a disposal group in accordance with IFRS 5.

	Disposal groups		Non-current assets	
as at 31.12.	2015	2016	2015	2016
CHF million				
Property, plant and equipment	–	–	–	–
Intangible assets	17.6	13.2	–	–
Investment property	–	–	–	–
Financial assets	1,963.1	1,911.1	–	–
Other investments	–	–	–	–
Receivables	30.3	27.7	–	–
Other assets	7.7	9.9	–	–
Total assets	2,018.7	1,962.0	–	–
Technical reserves	1,938.8	1,888.5	–	–
Liabilities arising from banking business and financial contracts	–	–	–	–
Other financial obligations	15.0	14.5	–	–
Other liabilities	9.0	5.4	–	–
Total equity and liabilities	1,962.9	1,908.3	–	–
Unrealised losses directly associated with non-current assets and disposal groups classified as held for sale	–3.2	–7.6	–	–

The final subsequent measurement of the disposal group was conducted as at 31 December 2016. The transaction was completed in early 2017 and is explained in more detail in note 49 (Events after the balance sheet date).

22. SHARE CAPITAL

2015	Number of treasury shares	Number of shares in circulation	Number of shares issued	Share capital (CHF million)
Balance as at 1 January	3,048,791	46,951,209	50,000,000	5.0
Purchase / sale of treasury shares	415,749	– 415,749	–	–
Capital increases	–	–	–	–
Share buy-back and cancellation	–	–	–	–
Balance as at 31 December	3,464,540	46,535,460	50,000,000	5.0

2016	Number of treasury shares	Number of shares in circulation	Number of shares issued	Share capital (CHF million)
Balance as at 1 January	3,464,540	46,535,460	50,000,000	5.0
Purchase / sale of treasury shares	– 964,595	964,595	–	–
Capital increases	–	–	–	–
Share buy-back and cancellation	–	–	–	–
Balance as at 31 December	2,499,945	47,500,055	50,000,000	5.0

The share capital of Bâloise Holding Ltd totals CHF 5.0 million and is divided into 50,000,000 registered, fully paid-up registered shares with a par value of CHF 0.10 each (2015: 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 as part of its ordinary investing activities and for employee share ownership programmes.

The Annual General Meeting held on 29 April 2016 voted to pay a gross dividend of CHF 5.00 per share for the 2015 financial year. This amounted to a total dividend distribution of CHF 250.0 million. Excluding the treasury shares held by Bâloise Holding Ltd at the time that the dividend was paid, the total distribution effectively amounted to CHF 232.0 million.

As part of the share buy-back programme that has been running since 16 April 2015, a total of 1,000,000 shares in Bâloise Holding Ltd had been repurchased for a total of CHF 113.8 million by the reporting date (31 December 2016). The share buy-back programme was concluded ahead of schedule on 29 July 2016.

23. TECHNICAL RESERVES (GROSS)

CHF million	31.12.2015 (restated)	31.12.2016
Unearned premium reserves (gross)	562.7	589.0
Claims reserve (gross)	5,306.7	5,307.8
Other technical reserves	77.6	89.6
Technical reserves (non-life)	5,947.0	5,986.4
Actuarial reserves (gross)	36,331.9	36,813.2
Policyholders' dividends credited and provisions for future policyholders' dividends (gross)	3,497.6	3,409.4
Technical reserves (life)	39,829.6	40,222.5
Technical reserves (gross)	45,776.6	46,209.0

23.1 Technical reserves (non-life)

	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
			31.12.2015			31.12.2016
CHF million						
Unearned premium reserves	562.7	2.0	564.8	589.0	1.8	590.8
Claims reserve	4,777.6	–	–	4,787.3	–	–
Provision for claims handling costs	529.1	–	–	520.5	–	–
Claims reserve	5,306.7	– 389.6	4,917.1	5,307.8	– 393.2	4,914.7
Other technical reserves	77.6	– 0.1	77.5	89.6	–	89.6
Total technical reserves (non-life)	5,947.0	– 387.6	5,559.4	5,986.4	– 391.4	5,595.1

23.1.1 Maturity structure of technical reserves

	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
			31.12.2015			31.12.2016
CHF million						
Unearned premium reserves						
Up to 1 year	528.6	1.6	530.3	555.8	1.7	557.4
More than 1 year	9.6	0.4	10.0	8.2	0.1	8.4
No determinable residual term	24.5	–	24.5	25.0	–	25.0
Total unearned premium reserves	562.7	2.0	564.8	589.0	1.8	590.8
Claims reserve						
Up to 1 year	867.3	–47.6	819.7	838.9	–45.6	793.3
More than 1 year	3,233.7	–79.6	3,154.1	3,236.8	–80.6	3,156.3
No determinable residual term	1,205.7	–262.4	943.3	1,232.1	–267.0	965.1
Total claims reserve	5,306.7	–389.6	4,917.1	5,307.8	–393.2	4,914.7

All figures relating to maturities are based on best estimates. The line item “No determinable residual term” mainly comprises old-age health insurance reserves and annuity reserve funds.

23.1.2 Unearned premium reserves

	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
			2015			2016
CHF million						
Balance as at 1 January	605.8	4.0	609.8	562.7	2.0	564.8
Netted premiums	3,050.0	–131.1	2,918.9	3,140.7	–150.0	2,990.8
Less: premiums earned during the reporting period	–3,048.9	129.5	–2,919.4	–3,109.7	149.8	–2,959.9
Additions arising from acquisition of policy portfolios and insurance companies	1.8	–0.2	1.7	–	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–	–	–	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	–	–	–	–	–	–
Exchange differences	–45.9	–0.3	–46.2	–4.7	0.0	–4.8
Balance as at 31 December	562.7	2.0	564.8	589.0	1.8	590.8

Apart from the actual unearned premium reserves, this item includes health insurance reserves for old age and deferred unearned premiums.

23.1.3 Other technical reserves

CHF million	Gross	Reinsurance assets	Net	Gross	Reinsurance assets	Net
			2015			2016
Balance as at 1 January	89.5	– 0.1	89.4	77.6	– 0.1	77.5
Less: expenditures during the reporting period	– 18.4	0.0	– 18.3	– 19.2	0.1	– 19.1
Additional provisions recognised and unused provisions reversed through profit or loss	7.7	0.0	7.7	31.5	– 0.1	31.4
Additions arising from acquisition of policy portfolios and insurance companies	–	–	–	–	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–	–	–	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	–	–	–	–	–	–
Exchange differences	– 1.3	–	– 1.3	– 0.2	–	– 0.2
Balance as at 31 December	77.6	– 0.1	77.5	89.6	–	89.6

23.1.4 Claims reserve (including claims handling costs)

CHF million	2015	2016
Balance as at 1 January (gross)	5,517.6	5,306.7
Reinsurers' share	–400.5	–389.6
Balance as at 1 January (net)	5,117.1	4,917.1
Claims incurred (including claims handling costs)		
For the reporting period	1,835.6	1,884.2
For previous years	–23.5	–85.7
Total	1,812.0	1,798.5
Payments for claims and claims handling costs		
For the reporting period	–860.1	–884.7
For previous years	–923.3	–886.7
Total	–1,783.3	–1,771.4
Other changes		
Additions / disposals arising from changes in scope of consolidation	5.9	–
Reclassification to non-current assets and disposal groups classified as held for sale	–	–
Exchange differences	–234.6	–29.5
Total	–228.7	–29.5
Balance as at 31 December (net)	4,917.1	4,914.7
Reinsurers' share	389.6	393.2
Balance as at 31 December (gross)	5,306.7	5,307.8

The Baloise Group pays particular attention to cases of environmental pollution involving landfill sites, refuse, asbestos or any other materials harmful to human beings or the environment.

The relevant net reserves included in the total amounted to CHF 81.3 million at the end of 2016 (2015: CHF 84.7 million). The slight decrease was attributable to commutations of reserves and currency effects.

23.2 Technical reserves (life)

CHF million	31.12.2015 (restated)	31.12.2016
Actuarial reserves from non-unit-linked life insurance contracts[1]	33,159.2	33,553.2
Actuarial reserves from unit-linked life insurance contracts	2,622.7	2,727.3
Reserves for final policyholders’ dividends	201.5	185.1
Unearned revenue reserve	348.5	347.6
Structure of actuarial reserves (life)	36,331.9	36,813.2
Policyholders’ dividends credited and provisions for future policyholders’ dividends	3,497.6	3,409.4
Total technical reserves (life)	39,829.6	40,222.5

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

23.2.1 Maturity structure of technical reserves

CHF million	31.12.2015 (restated)	31.12.2016
Actuarial reserves from non-unit-linked life insurance contracts		
Up to 1 year	1,004.5	1,193.8
1 to 5 years	3,275.0	3,139.7
5 to 10 years	3,265.1	3,186.7
More than 10 years	6,316.7	5,931.1
No determinable residual term	8,111.6	8,812.4
Business from Swiss occupational pension plans[1]	11,186.4	11,289.4
Total actuarial reserves from non-unit-linked life insurance contracts	33,159.2	33,553.2
Actuarial reserves from unit-linked life insurance contracts		
Up to 1 year	66.4	99.0
1 to 5 years	260.1	296.1
5 to 10 years	405.5	372.9
More than 10 years	366.7	365.3
No determinable residual term	1,524.0	1,593.9
Total actuarial reserves from unit-linked life insurance contracts	2,622.7	2,727.3
Policyholders' dividends credited		
Up to 1 year	63.8	55.1
1 to 5 years	257.5	269.4
5 to 10 years	220.8	215.6
More than 10 years	329.1	311.7
No determinable residual term	239.8	181.2
Total policyholders' dividends credited	1,111.0	1,033.1
Provisions for future policyholders' dividends		
Up to 1 year	79.7	93.3
No determinable residual term	2,307.0	2,283.0
Total provisions for future policyholders' dividends	2,386.6	2,376.3

1 The Swiss pensions business is disclosed separately owing to its specific features. It comprises group contracts which may be cancelled annually by either party, whereas the coverage period for the individuals enrolled is significantly longer.

All figures relating to maturities are based on the residual terms of contracts. The line item "No determinable residual term" mainly comprises deferred and current annuities.

23.2.2 Actuarial reserves from non-unit-linked life insurance contracts

CHF million	2015	2016
Balance as at 1 January	35,087.6	33,159.2
Change in actuarial reserves	686.5	508.0
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	– 1,462.8	–
Exchange differences	– 1,152.0	– 114.1
Balance as at 31 December	33,159.2	33,553.2

The actuarial reserves include unearned premium reserves and claims reserves.
The actuarial reserves for DPF business as at 31 December 2016 amounted to CHF 33,271.7 million (31 December 2015: CHF 32,876.1 million), while for non-DPF business they totalled CHF 281.5 million (31 December 2015: CHF 283.1 million).
The actuarial reserves for assumed business (inward reinsurance) as at 31 December 2016 came to CHF 8.5 million (31 December 2015: CHF 7.6 million).

23.2.3 Actuarial reserves from unit-linked life insurance contracts

CHF million	2015	2016
Balance as at 1 January	2,678.3	2,622.7
Additions	266.6	233.0
Disposals	– 189.0	– 177.8
Fees	– 4.6	– 5.1
Interest on and change in liabilities	79.0	80.2
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	– 13.2	–
Exchange differences	– 194.5	– 25.8
Balance as at 31 December	2,622.7	2,727.3

23.2.4 Reserve for final policyholders’ dividends

CHF million	2015	2016
Balance as at 1 January	274.1	201.5
Adjustment arising from unrealised gains and losses as at 1 January (shadow accounting)	– 11.5	– 8.0
Interest on and change in liability	10.0	8.6
Final policyholders’ dividends paid	– 26.7	– 22.5
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	– 31.2	–
Adjustment arising from unrealised gains and losses as at 31 December (shadow accounting)	8.0	7.0
Exchange differences	– 21.2	– 1.5
Balance as at 31 December	201.5	185.1

Final policyholders’ dividends, which are only paid upon contract expiry, are funded and accrued over the duration of the policy in proportion to the profits attributable to the contract.

23.2.5 Unearned revenue reserve

CHF million	2015	2016
Balance as at 1 January	359.1	348.5
Reserved during the reporting period	26.5	20.8
Change in balance	– 0.9	– 16.7
Change due to unrealised gains and losses on investments (shadow accounting)	– 0.2	– 0.8
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	– 2.2	–
Exchange differences	– 33.8	– 4.2
Balance as at 31 December	348.5	347.6

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

CHF million	2015 (restated)	2016
Policyholders' dividends credited as at 1 January	1,513.2	1,111.0
Dividends credited to policyholders during the reporting period	66.3	45.0
Policyholders' dividends paid	– 155.1	– 114.2
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	– 199.3	–
Exchange differences	– 114.0	– 8.8
Balance as at 31 December	1,111.0	1,033.1
Provisions for future policyholders' dividends as at 1 January	2,624.5	2,386.6
Adjustment arising from unrealised gains and losses as at 1 January	– 1,067.6	– 722.2
Additions	101.3	57.0
Withdrawals	– 128.8	– 92.9
Change in measurement differences between IFRS and national accounting standards recognised in profit or loss	338.0	– 14.3
Adjustment arising from unrealised gains and losses as at 31 December (shadow accounting)	722.2	771.4
Additions arising from acquisition of policy portfolios and insurance companies	–	–
Disposals arising from sale of policy portfolios and insurance companies	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	– 127.6	–
Exchange differences	– 75.4	– 9.4
Balance as at 31 December	2,386.6	2,376.3
Policyholders' dividends credited and provisions for future policyholders' dividends as at 31 December	3,497.6	3,409.4

24. LIABILITIES ARISING FROM BANKING BUSINESS AND FINANCIAL CONTRACTS

	Carrying amount		Fair value	
as at 31.12.	**2015**	2016	**2015**	2016
CHF million				
With discretionary participation features (DPFs)				
Financial contracts with discretionary participation features (DPFs)[1]	1,930.1	2,317.4	–	–
Sub-total	1,930.1	2,317.4	–	–
Measured at amortised cost				
Liabilities to banks	287.7	263.9	287.8	263.8
Repurchase agreements	975.0	600.0	975.0	600.0
Liabilities arising from time deposits	8.1	6.1	8.2	6.1
Loans	–	–	–	–
Mortgages	–	–	–	–
Savings and customer deposits	5,375.1	5,682.3	5,437.0	5,737.0
Medium-term bonds	190.7	137.1	197.6	141.8
Mortgage-backed bonds	1,425.4	1,267.3	1,541.1	1,360.3
Bonds	–	–	–	–
Liability for future financial lease payments (present value)	0.0	0.0	0.0	0.0
Other financial contracts	37.2	44.3	37.4	44.3
Sub-total	8,299.2	8,000.9	8,484.0	8,153.3
Recognised at fair value through profit or loss (designated)				
Other financial contracts	8,782.8	9,999.4	8,782.8	9,999.4
Sub-total	8,782.8	9,999.4	8,782.8	9,999.4
Total liabilities arising from banking business and financial contracts	19,012.0	20,317.7	–	–

1 There are currently no internationally accepted mathematical methods available for determining the fair value of financial contracts with discretionary participation features (DPFs).

Savings deposits and customer deposits essentially consist of savings accounts, business accounts and deposit accounts held by Swiss banking clients. The mortgage-backed bonds reported have all been issued by Pfandbriefbank schweizerischer Hypothekarinstitute AG.

The other financial contracts designated as at fair value through profit or loss largely relate to the life insurance liability arising from investment-linked life insurance contracts involving little or no transfer of risk. The year-on-year change in this liability consists entirely of the funds flowing into and out of the pertinent investment portfolio, the latter's market-related price fluctuations and exchange-rate movements.

25. FINANCIAL LIABILITIES

SENIOR DEBT

CHF million	2015	2016
Balance as at 1 January	1,702.4	1,707.8
Issue price of newly issued bonds	–	–
Embedded derivative	–	–
Additions (sub-total)	–	–
Disposals / repayments / conversions	0.0	– 242.4
Interest expenses	40.0	38.0
Nominal interest rate	– 34.6	– 33.0
Interest costs (sub-total)	5.4	5.0
Balance as at 31 December	1,707.8	1,470.4

No new bonds were issued in the year under review. On 17 November 2016, a convertible bond was partially converted and the remainder redeemed for a total of CHF 242.5 million (1,500 %, 2009 – 2016, ISIN CH0107130822).

The fair value of financial liabilities at the balance sheet date totalled CHF 1,592.6 million (2015: CHF 1,864.2 million).

TERMS AND CONDITIONS GOVERNING SENIOR DEBT OUTSTANDING (SENIOR BONDS BÂLOISE HOLDING LTD)

Face value (CHF million)	300	250	175	225	150	225	150
Interest rate	2.875 %	3.000 %	2.250 %	1.000 %	2.000 %	1.750 %	1.125 %
Early redemption date	–	–	–	–	–	–	–
Repayment	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Issued	2010	2011	2012	2012	2012	2013	2014
Repayment	14.10.2020	7.7.2021	1.3.2019	12.10.2017	12.10.2022	26.4.2023	19.12.2024
ISIN	CH0117683794	CH0131804616	CH0148295014	CH0188295536	CH0194695083	CH0200044821	CH0261399064

26. PROVISIONS

	Restructuring	Other	Total	Restructuring	Other	Total
			2015			2016
CHF million						
Balance as at 1 January	34.3	85.0	119.3	18.4	76.4	94.8
Addition arising from change in scope of consolidation	–	1.1	1.1	–	–	–
Disposal arising from change in scope of consolidation	–	–	–	–	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	–	–	–	–	–	–
Increases and additional provisions recognised in profit or loss	5.0	15.5	20.5	4.8	14.8	19.6
Unused provisions reversed through profit or loss	–1.5	–8.9	–10.4	–1.1	–11.0	–12.1
Usage not recognised in profit or loss	–16.0	–13.3	–29.3	–10.7	–11.1	–21.8
Unwinding of discount	0.0	–	0.0	–	–	–
Exchange differences	–3.5	–2.9	–6.4	–0.1	–0.4	–0.5
Balance as at 31 December	18.4	76.4	94.8	11.3	68.7	80.0

The balance shown for other provisions includes the usual amounts for legal advice and litigation risks. Other provisions utilised but not recognised in profit or loss are primarily attributable to Baloise's Belgian and Swiss entities. The recognition of restructuring provisions in profit or loss largely relates to the German entities. Other provisions recognised in profit or loss were primarily attributable to Baloise's German entities and those utilised but not recognised in profit or loss were primarily attributable to its Swiss entities.

27. INSURANCE LIABILITIES

	31.12.2015	31.12.2016
CHF million		
Liabilities to policyholders	1,329.2	1,255.0
Liabilities to brokers and agents	117.9	126.2
Liabilities to insurance companies	182.8	167.4
Other insurance liabilities	20.6	16.6
Total insurance liabilities	1,650.4	1,565.2

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Notes to the consolidated income statement

28. PREMIUMS EARNED AND POLICY FEES

	Non-Life	Life	Total	Non-Life	Life	Total
			2015			2016
CHF million						
Gross premiums written and policy fees	3,050.0	3,783.4	6,833.4	3,140.7	3,570.9	6,711.6
Change in unearned premium reserves	– 1.1	–	– 1.1	– 31.0	–	– 31.0
Premiums earned and policy fees (gross)	3,048.9	3,783.4	6,832.4	3,109.7	3,570.9	6,680.6
Reinsurance premiums ceded	– 131.1	– 19.1	– 150.2	– 150.0	– 18.4	– 168.4
Reinsurers’ share of change in unearned premium reserves	1.5	–	1.5	0.2	–	0.2
Total premiums earned and policy fees (net)	2,919.4	3,764.4	6,683.7	2,959.9	3,552.4	6,512.4

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

	2015	2016
CHF million		
Investment property	248.3	246.3
Financial assets of an equity nature		
Available for sale	117.3	128.1
Recognised at fair value through profit or loss	30.2	39.4
Financial assets of a debt nature		
Held to maturity	214.5	214.1
Available for sale	503.7	479.6
Recognised at fair value through profit or loss	3.3	2.8
Mortgages and loans		
Carried at cost	387.4	352.2
Recognised at fair value through profit or loss	17.7	14.6
Cash and cash equivalents	– 0.4	– 0.6
Total investment income for own account and at own risk	1,521.8	1,476.6

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

Interest income of CHF 3.1 million had been recognised on impaired investments at the balance sheet date (2015: CHF 3.1 million).

30. REALISED GAINS AND LOSSES ON INVESTMENTS

REALISED GAINS AND LOSSES ON INVESTMENTS AS RECOGNISED IN THE INCOME STATEMENT

CHF million	2015	2016
Realised gains and losses on investments for own account and at own risk	379.1	303.1
Realised gains and losses on investments for the account and at the risk of life insurance policyholders and third parties	7.1	364.1
Realised gains and losses on investments as recognised in the income statement	386.2	667.2

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

2015	Investment property	Financial assets of an equity nature	Financial assets of a debt nature	Mortgages and loans	Derivative financial instruments	Total
CHF million						
Realised gains on sales and book profits						
Investment property	180.9	–	–	–	–	180.9
Held to maturity[1]	–	–	0.1	–	–	0.1
Available for sale	–	247.1	537.4	–	–	784.4
Recognised at fair value through profit or loss	–	32.5	0.0	3.1	931.8	967.4
Carried at cost	–	–	–	74.4	–	74.4
Sub-total	180.9	279.6	537.4	77.5	931.8	2,007.2
Realised losses on sales and book losses						
Investment property	–68.2	–	–	–	–	–68.2
Held to maturity[1]	–	–	–177.5	–	–	–177.5
Available for sale	–	–106.8	–339.5	–	–	–446.3
Recognised at fair value through profit or loss	–	–48.9	–2.5	–3.7	–818.2	–873.2
Carried at cost	–	–	–	–1.3	–	–1.3
Sub-total	–68.2	–155.7	–519.5	–5.0	–818.2	–1,566.6
Impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–72.0	–	–	–	–72.0
Carried at cost	–	–	–	–5.7	–	–5.7
Reversal of impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–	10.7	–	–	10.7
Carried at cost	–	–	–	5.6	–	5.6
Sub-total	–	–72.0	10.7	–0.1	–	–61.5
Total realised gains and losses on investments	112.7	51.9	28.6	72.4	113.6	379.1

1 Currency effects relating to held-to-maturity financial assets of a debt nature are reported as realised book profits and / or realised book losses.

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

2016	Investment property	Financial assets of an equity nature	Financial assets of a debt nature	Mortgages and loans	Derivative financial instruments	Total
CHF million						
Realised gains on sales and book profits						
Investment property	166.1	–	–	–	–	166.1
Held to maturity[1]	–	–	0.3	–	–	0.3
Available for sale	–	148.8	440.2	–	–	589.0
Recognised at fair value through profit or loss	–	52.6	–	6.7	474.1	533.4
Carried at cost	–	–	–	42.5	–	42.5
Sub-total	166.1	201.4	440.5	49.2	474.1	1,331.3
Realised losses on sales and book losses						
Investment property	– 106.4	–	–	–	–	– 106.4
Held to maturity[1]	–	–	– 19.5	–	–	– 19.5
Available for sale	–	– 41.7	– 61.8	–	–	– 103.5
Recognised at fair value through profit or loss	–	– 8.3	– 2.9	– 22.7	– 643.4	– 677.2
Carried at cost	–	–	–	– 4.6	–	– 4.6
Sub-total	– 106.4	– 50.0	– 84.2	– 27.3	– 643.4	– 911.3
Impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	– 108.2	– 0.3	–	–	– 108.5
Carried at cost	–	–	–	– 10.5	–	– 10.5
Reversal of impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–	–	–	–	–
Carried at cost	–	–	–	2.1	–	2.1
Sub-total	–	– 108.2	– 0.3	– 8.4	–	– 116.9
Total realised gains and losses on investments	59.7	43.2	356.0	13.5	– 169.3	303.1

1 Currency effects relating to held-to-maturity financial assets of a debt nature are reported as realised book profits and / or realised book losses.

30.3 Impairment losses on financial assets recognised in profit or loss

	2015	2016
CHF million		
Impairment losses on financial assets of an equity nature recognised in profit or loss		
Equities	– 46.1	– 90.7
Equity funds	0.0	–
Mixed funds	– 1.4	– 3.2
Bond funds	–	–
Real estate funds	– 12.4	– 1.1
Private equity	– 6.5	– 3.6
Hedge funds	– 5.7	– 9.6
Sub-total	– 72.0	– 108.2
Impairment losses on financial assets of a debt nature recognised in profit or loss		
Public corporations	–	–
Industrial enterprises	–	–
Financial institutions	–	– 0.3
Other	–	–
Sub-total	–	– 0.3
Impairment losses on mortgages and loans recognised in profit or loss		
Mortgages	– 5.5	– 1.7
Policy loans	–	–
Promissory notes and registered bonds	–	– 5.4
Time deposits	–	–
Reverse repurchase agreements	–	–
Other loans	– 0.2	– 3.4
Sub-total	– 5.7	– 10.5
Total impairment losses on financial assets recognised in profit or loss	– 77.8	– 119.0

30.4 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 gain of CHF 45.5 million was reported for 2016 (2015: loss of CHF 377.3 million).

A gross currency loss of CHF 2.2 million was recognised directly in equity for the reporting year (2015: loss of CHF 127.0 million). Allowing for hedges of a net investment in a foreign operation (hedge accounting), a net loss of CHF 17.5 million was recognised for 2016 (2015: net loss of CHF 160.7 million).

31. INCOME FROM SERVICES RENDERED

CHF million	2015	2016
Asset management	41.1	40.6
Services	20.3	19.5
Banking services	43.2	41.9
Investment management	8.0	8.0
Income from services rendered	112.6	110.1

32. OTHER OPERATING INCOME

CHF million	2015	2016
Interest income from insurance and reinsurance receivables	13.1	12.3
Other interest income	2.2	1.2
Gains on the sale of		
property, plant and equipment	0.4	0.4
intangible assets	–	–
Currency gains on assets and liabilities	26.8	5.5
Reversal of impairment losses recognised on receivables	6.4	6.3
External income from owner-occupied property	5.5	6.8
Other income	82.3	104.2
Other operating income	136.6	136.8

33. CLASSIFICATION OF EXPENSES

CHF million	2015 (restated)	2016
Personnel expenses (excluding loss adjustment expenses)	– 759.2	– 753.7
Marketing and advertising	– 33.6	– 35.0
Depreciation and impairment of property, plant and equipment	– 39.8	– 31.9
Amortisation and impairment of intangible assets	– 30.6	– 31.3
IT and other equipment	– 67.1	– 63.6
Expenses for rent, maintenance and repairs	– 50.2	– 43.1
Losses arising from exchange differences in respect of assets and liabilities	– 16.8	– 2.8
Commission and selling expenses	– 466.0	– 526.7
Fees and commission for financial assets and liabilities not recognised at fair value	– 14.1	– 13.9
Fees and commission expenses for assets managed for third parties	– 2.8	– 6.3
Expenses arising from non-current assets and disposal groups classified as held for sale	–	–
Other[1]	– 147.0	– 119.8
Total	– 1,627.2	– 1,628.0

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

34. PERSONNEL EXPENSES

Total personnel expenses for 2016 came to CHF 868.1 million (2015: CHF 875.2 million).

35. GAINS OR LOSSES ON FINANCIAL CONTRACTS

CHF million	2015	2016
With discretionary participation features (DPFs)		
Financial contracts with discretionary participation features (DPFs)	– 50.3	– 52.7
Sub-total	– 50.3	– 52.7
Measured at amortised cost		
Interest on loans	– 0.1	0.0
Interest due	– 9.3	– 6.7
Interest arising from banking business	– 20.1	– 16.3
Interest expenses on repurchase agreements	2.3	4.7
Acquisition costs in banking business	– 15.7	– 15.7
Interest expenses on bonds	– 1.5	–
Expenses arising from financial contracts	– 16.0	– 13.7
Sub-total	– 60.4	– 47.7
Recognised at fair value through profit or loss (designated)		
Change in fair value of other financial contracts	109.8	– 242.5
Sub-total	109.8	– 242.5
Total gains or losses on financial contracts	– 0.9	– 342.9
Of which: gains on interest rate hedging instruments		
Interest rate swaps: cash flow hedges, balance carried forward from cash flow hedge reserves	–	–
Interest rate swaps: fair value hedges	–	–
Total gains on interest rate hedging instruments	–	–

36. INCOME TAXES

36.1 Current and deferred income taxes

CHF million	2015	2016
Current income taxes	– 139.0	– 107.2
Deferred income taxes	– 29.1	– 4.5
Total current and deferred income taxes	– 168.2	– 111.7

36.2 Expected and current income taxes

The expected average tax rate for the Baloise Group was 27.0 per cent in 2015 and 25.6 per cent in 2016. These rates correspond to the weighted average tax rates in those countries where the Baloise Group operates.

CHF million	2015	2016
Profit before taxes	679.3	645.6
Expected average tax rate (per cent)	26.97 %	25.63 %
Expected income taxes	– 183.2	– 165.5
Increase / reduction owing to		
tax-exempt profits and losses	12.3	9.4
non-deductible expenses	– 7.6	– 6.7
withholding taxes on dividends	– 0.5	– 0.4
change in tax rates	7.8	– 18.0
change in unrecognised tax losses	7.4	18.1
recognition of tax credits	–	31.0
tax items related to other reporting periods	15.9	9.0
non-taxable measurement differences	– 6.8	– 5.0
intercompany effects	– 9.4	6.7
other impacts	– 4.0	9.5
Current income taxes	– 168.2	– 111.7

37. EARNINGS PER SHARE

	2015	2016
Profit for the period attributable to shareholders (CHF million)	512.1	534.8
Average number of shares outstanding	46,721,219	46,381,359
Basic earnings per share (CHF)	10.96	11.53

	2015	2016
Profit for the period attributable to shareholders (CHF million)	512.1	534.8
Adjustment of interest expenses on convertible bonds, including tax effects (CHF million)	8.0	6.0
Adjusted profit for the period attributable to shareholders (CHF million)	520.1	540.8
Average number of shares outstanding	46,721,219	46,381,359
Adjustment due to theoretical conversion of convertible bond [1]	2,012,374	1,756,722
Adjustment due to theoretical exercise of share-based payment plans	115,822	75,748
Adjustment due to theoretical exercise of put options	–	–
Adjusted average number of shares outstanding	48,849,415	48,213,829
Diluted earnings per share (CHF)	10.65	11.22

1 Pro-rata recognition in 2016 of the convertible bond, which matured on 17 November 2016 (in accordance with IAS 33).

The dilution of earnings in 2015 as well as in 2016 was attributable to the Performance Share Units (PSU) share-based payment plan and the convertible bond issued by Bâloise Holding Ltd.

38. OTHER COMPREHENSIVE INCOME

38.1 Other comprehensive income

	2015	2016
CHF million		
Items not to be reclassified to the income statement		
Change in reserves arising from reclassification of investment property	0.8	7.9
Change in reserves arising from assets and liabilities of post-employment benefits (defined benefit plans)	33.1	– 153.7
Change arising from shadow accounting	– 39.1	40.5
Deferred income taxes	– 8.5	27.2
Total items not to be reclassified to the income statement	– 13.6	– 78.1
Items to be reclassified to the income statement		
Available-for-sale financial assets:		
Gains and losses arising during the reporting period	– 411.1	437.9
Gains and losses reclassified to the income statement	– 471.8	– 311.2
Total available-for-sale financial assets	– 882.9	126.6
Investments in associates		
Gains and losses arising during the reporting period	– 27.6	– 0.4
Gains and losses reclassified to the income statement	–	–
Total investments in associates	– 27.6	– 0.4
Hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation		
Gains and losses arising during the reporting period	– 0.2	– 14.8
Gains and losses reclassified to the income statement	– 33.5	– 0.6
Total hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	– 33.7	– 15.3
Reserves arising from reclassification of held-to-maturity financial assets:		
Gains and losses arising during the reporting period	– 0.3	0.0
Gains and losses reclassified to the income statement	– 1.4	– 1.1
Total reserves arising from reclassification of held-to-maturity financial assets:	– 1.7	– 1.1
Change arising from shadow accounting	326.4	– 117.3
Change arising from exchange differences	– 130.6	– 2.5
Deferred income taxes	167.9	– 14.8
Total items to be reclassified to the income statement	– 582.2	– 24.9
Total other comprehensive income	– 595.8	– 103.0

38.2 Income taxes on other comprehensive income

CHF million	2015	2016
Other comprehensive income before deferred income taxes	– 755.3	– 115.4
Deferred income taxes of items not to be reclassified to the income statement		
Change in reserves arising from reclassification of investment property	– 0.2	–
Change in reserves arising from assets and liabilities of post-employment benefits (defined benefit plans)	– 11.3	41.1
Change arising from shadow accounting	7.7	– 13.4
Change arising from exchange differences	– 4.7	– 0.6
Additions and disposals arising from change in the scope of consolidation	–	–
Total deferred income taxes of items not to be reclassified to the income statement	– 8.5	27.2
Items to be reclassified to the income statement		
Available-for-sale financial assets	185.4	– 18.4
Investments in associates	5.5	0.0
Hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	6.8	3.1
Reserves arising from reclassification of held-to-maturity financial assets	0.4	0.3
Change arising from shadow accounting	– 61.6	– 2.6
Change arising from exchange differences	31.5	2.9
Additions and disposals arising from change in the scope of consolidation	–	–
Total deferred income taxes of items to be reclassified to the income statement	167.9	– 14.8
Other comprehensive income after deferred income taxes	– 595.8	– 103.0

Other disclosures

39. ACQUISITION AND DISPOSAL OF COMPANIES

	Cumulative acquisitions		Cumulative disposals	
	2015	2016	2015	2016
CHF million				
Investments	13.7	–	–	–
Other assets	0.1	–	–	–
Receivables and assets	6.4	–	–	–
Cash and cash equivalents	0.5	–	–	–
Actuarial liabilities	– 13.0	–	–	–
Other accounts payable	– 3.4	–	–	–
Non-controlling interests	–	–	–	–
Net assets acquired / disposed of	4.3	–	–	–
Funds used / received for acquisitions and disposals				
Cash and cash equivalents	6.6	–	–	–
Offsetting	–	–	–	–
Transfer of assets	–	–	–	–
Directly attributable costs	–	–	–	–
Equity instruments issued	–	–	–	–
Reclassification of investments in associates	–	–	–	–
Acquisition / disposal price	6.6	–	–	–
Net assets acquired / disposed of	– 4.3	–	–	–
Other comprehensive income [1]	–	–	–	–
Goodwill / negative goodwill or proceeds from disposals	2.3	–	–	–
Cash and cash equivalents used / received for acquisitions and disposals	– 6.6	–	–	–
Cash and cash equivalents acquired / disposed of	0.5	–	–	–
Outflow / inflow of cash and cash equivalents	– 6.1	–	–	–

1 This includes primarily historical cumulative exchange differences.

In the year under review, no companies that constituted a business were purchased or sold.

HDI-Gerling Assurances, based in Leudelange, Luxembourg, had been acquired in 2015 and was merged with Bâloise Assurances Luxembourg S.A. in the same year. No companies had been sold in 2015.

This table does not include 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. Further explanations are provided in note 6 (Changes to the group of consolidated companies).

40. RELATED PARTY TRANSACTIONS

As part of its ordinary operating activities the Baloise Group conducts transactions with associates and with members of Bâloise Holding Ltd's Board of Directors and Corporate Executive Committee. The terms and conditions governing such transactions can be found in the chapter on corporate governance, which forms an integral part of the Financial Report.

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

RELATED PARTY TRANSACTIONS

	Premiums earned and policy fees		Investment income		Expenses		Mortgages and loans		Liabilities	
	2015	2016	2015	2016	2015	2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016
CHF million										
Associates	0.6	0.1	32.4	2.9	– 23.5	– 27.7	–	–	– 9.2	– 6.4
Executive Management	0.2	0.1	0.1	0.0	– 12.6	– 12.2	8.8	7.7	–	–

EXECUTIVE MANAGEMENT REMUNERATION

	2015	2016
CHF million		
Short-term employee benefits	– 7.5	– 7.4
Post-employment benefits	– 1.4	– 1.2
Payments under share-based payment plans	– 3.8	– 3.6
Total	– 12.6	– 12.2

33,118 shares worth CHF 4.2 million were repurchased from members of the Corporate Executive Committee in 2016 (2015: CHF 6.0 million) under the Share Participation Plan (section 18.4.3).

41. REMUNERATION PAID TO THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE COMMITTEE

The information to be disclosed in accordance with sections 663b (bis) and 663c of the Swiss Code of Obligations (OR) is contained in the Remuneration Report, which can be found on pages 76 to 107 of the chapter on 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 held by members of the Board of Directors and the Corporate Executive Committee

42. CONTINGENT AND FUTURE LIABILITIES

42.1 Contingent liabilities

42.1.1 Legal disputes

The companies in the Baloise Group are regularly involved in litigation, legal claims and lawsuits, which in most cases constitute a normal part of its operating activities as an insurer.

The Corporate Executive Committee is not aware of any new circumstances having arisen since the last balance sheet date that could have a material impact on the consolidated annual financial statements for 2016.

42.1.2 Guarantees and collateral for the benefit of third parties

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

There is a contingent liability arising from a release agreement for employees of Baloise Life Ltd in connection with the sale to the Frankfurter Leben Group of the policy portfolio and associated business of the German branch of Baloise Life Ltd, which was announced on 3 February 2017.

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

	31.12.2015	31.12.2016
CHF million		
Guarantees	45.0	54.2
Collateral	479.3	618.6
Total guarantees and collateral for the benefit of third parties	524.3	672.8
Of which: for the benefit of partners in joint ventures	–	–
Of which: from joint ventures	–	–
Of which: for the benefit of joint ventures	–	–

CREDIT RATINGS OF GUARANTEES AND COLLATERAL

31.12.2015	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Guarantees	–	–	30.3	–	14.7	45.0
Collateral	–	–	0.2	–	479.1	479.3

31.12.2016	AAA	AA	A	BBB	Lower than BBB or no rating	Total
CHF million						
Guarantees	–	–	30.3	–	23.9	54.2
Collateral	–	–	–	0.2	618.4	618.6

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

CARRYING AMOUNTS OF ASSETS PLEDGED OR CEDED AS COLLATERAL

CHF million	31.12.2015	31.12.2016
Financial assets under repurchase agreements	811.1	514.1
Financial assets in the context of securities lending	3,173.1	3,358.2
Investments	1,979.7	1,971.9
Pledged intangible assets	–	–
Pledged property, plant and equipment	–	–
Other	–	–
Total	5,963.9	5,844.2

FAIR VALUE OF COLLATERAL HELD

CHF million	31.12.2015	31.12.2016
Financial assets under reverse repurchase agreements	61.3	61.2
Financial assets in the context of securities lending	3,913.9	4,770.4
Other	–	–
Total	3,975.2	4,831.6
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.

42.2 Future liabilities

42.2.1 Capital commitments

CHF million	31.12.2015	31.12.2016
Commitments undertaken for future acquisition of		
investment property	84.6	326.5
financial assets	573.0	873.8
property, plant and equipment	–	–
intangible assets	–	–
Total commitments undertaken	657.7	1,200.3
Of which: in connection with joint ventures	–	–
Of which: own share of joint ventures' capital commitments	–	–

CREDIT RATINGS OF CAPITAL COMMITMENTS

31.12.2015 CHF million	AAA	AA	A	BBB	Lower than BBB or no rating	Total
Capital commitments	110.0	0.4	42.0	17.1	488.0	657.7

31.12.2016 CHF million	AAA	AA	A	BBB	Lower than BBB or no rating	Total
Capital commitments	318.8	0.4	92.2	18.6	770.3	1,200.3

As at 31 December 2016, there was an investment obligation of CHF 218 million for the purchase of the Belgian real-estate company VAC De Meander. 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.

43. OPERATING LEASES

43.1 The Baloise Group as a lessee

The Baloise Group has entered into non-cancellable leasing arrangements to lease buildings, vehicles and operating equipment. The average residual term of its leases is between three and five years.

DUE DATES OF LEASE PAYMENTS

CHF million	2015	2016
Due within one year	–2.4	–2.1
Due after one to five years	–2.1	–1.4
Due after five years or more	–	–
Total	–4.4	–3.5
Minimum lease payments	–3.4	–3.4
Contingent lease payments	–	–
Leasing expenses	–3.4	–3.4
Income from sub-leases during the reporting period	–	–
Future income from sub-leases	–	–

Contingent lease payments are made in cases where the lease is indexed.

43.2 The Baloise Group as a lessor

The Baloise Group has entered into operating leasing arrangements in order to lease its investment property to third parties. The average non-cancellable residual term of its leases is between four and six years. There were no further leasing arrangements at the balance sheet date.

DUE DATES OF CONTRACTUALLY STIPULATED LEASING INCOME

CHF million	2015	2016
Due within one year	29.7	28.1
Due after one to five years	39.4	49.0
Due after five years or more	9.7	24.0
Total	78.7	101.1
Minimum lease payments	36.1	37.6
Contingent lease payments	0.0	0.2
Leasing income	36.1	37.7

44. CLAIM PAYMENTS RECEIVED FROM NON-GROUP INSURERS

The companies in the Baloise Group received claim payments totalling CHF 0.1 million in 2016 (2015: CHF 0.2 million) from non-Group insurers in connection with insurance contracts under which the Baloise Group companies are themselves policyholders. Most of these claim payments were made for damage to buildings in Switzerland where, depending on the building's location, mandatory insurance cover is provided by government agencies.

45. SIGNIFICANT SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Entities are defined as significant if they either individually or together contribute a significant proportion of the gross premiums, net income or total assets of the Baloise Group. Other long-term equity investments may be included for qualitative reasons, e.g. they are listed on a stock exchange.

31.12.2016	Primary activity	Operating segment[1]	Group's share of voting rights / capital (per cent)[2]	Direct share of voting rights / capital (per cent)[2]	Method of consolidation[3]	Currency	Share capital (million)	Total assets (million)	Gross premiums / policy fees (million)
Switzerland									
Bâloise Holding Ltd, Basel	Holding	O	Holding	Holding	F	CHF	5.0	2,102.5	–
Baloise Insurance Ltd, Basel	Non-Life	NL	100.00	100.00	F	CHF	75.0	5,455.8	1,324.3
Baloise Life Ltd, Basel	Life	L	100.00	100.00	F	CHF	50.0	32,213.9	2,879.3
Baloise Bank SoBa AG, Solothurn	Banking	B	100.00	100.00	F	CHF	50.0	7,664.5	–
Haakon AG, Basel	Other	O	74.75	74.75	F	CHF	0.2	53.2	–
Baloise Asset Management Schweiz AG, Basel	Investment management	B	100.00	100.00	F	CHF	1.5	32.5	–
Baloise Asset Management International AG, Basel	Investment consulting	B	100.00	100.00	F	CHF	1.5	16.1	–
Germany									
Basler Versicherung Beteiligungen B.V. & Co KG, Hamburg	Holding	O	100.00	100.00	F	EUR	94.7	381.9	–
Basler Lebensversicherungs-Aktiengesellschaft, Hamburg	Life	L	100.00	100.00	F	EUR	22.0	9,637.7	347.8
Basler Sachversicherungs-Aktiengesellschaft, Bad Homburg	Non-Life	NL	100.00	100.00	F	EUR	15.1	1,622.2	621.5
Deutscher Ring Bausparkasse Aktiengesellschaft, Hamburg	Banking	B	65.00	65.00	F	EUR	12.8	566.9	–
Basler Beteiligungsholding GmbH, Hamburg	Holding	O	100.00	100.00	F	EUR	12.8	230.7	–
Basler Financial Services GmbH, Hamburg	Other	O	100.00	100.00	F	EUR	1.5	12.2	–
OVB Holding AG, Cologne	Other	–	32.57	32.57	E	EUR	–	–	–
Roland Rechtsschutz Beteiligungs GmbH, Cologne	Other	O	60.00	60.00	F	EUR	0.1	35.6	–
Roland Rechtsschutz Versicherungs AG, Cologne	Other	–	15.01	25.02	E	EUR	–	–	–
ZEUS Vermittlungsgesellschaft mbH, Hamburg	Other	O	100.00	100.00	F	EUR	0.5	13.8	–

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.

31.12.2016	Primary activity	Operating segment[1]	Group's share of voting rights / capital (per cent)[2]	Direct share of voting rights / capital (per cent)[2]	Method of consolidation[3]	Currency	Share capital (million)	Total assets (million)	Gross premiums / policy fees (million)
Belgium									
Baloise Belgium NV, Antwerp	Life and Non-Life	L / NL	100.00	100.00	F	EUR	215.2	8,638.7	941.5
Euromex NV, Antwerp	Non-Life	NL	100.00	100.00	F	EUR	2.7	180.1	61.6
Merno-Immo NV, Antwerp	Other	NL	100.00	100.00	F	EUR	17.1	25.2	–
Luxembourg									
Bâloise (Luxembourg) Holding S.A., Bertrange (Luxembourg)	Holding	O	100.00	100.00	F	CHF	250.0	1,202.5	–
Bâloise Assurances Luxembourg S.A., Bertrange (Luxembourg)	Non-Life	NL	100.00	100.00	F	EUR	15.8	330.1	106.8
Bâloise Vie Luxembourg S.A., Bertrange (Luxembourg)	Life	L	100.00	100.00	F	EUR	32.7	6,583.2	74.1
Baloise Fund Invest Advico, Bertrange (Luxembourg)	Other	B	100.00	100.00	F	EUR	0.1	13.6	–
Bâloise Delta Holding S.à.r.l., Bertrange (Luxembourg)	Holding	O	100.00	100.00	F	EUR	224.3	274.7	–
Baloise Life (Liechtenstein) AG, Balzers	Life	L	100.00	100.00	F	CHF	7.5	2,981.4	1.1
Other territories									
Bâloise Participations Holding, Amsterdam	Holding	O	100.00	100.00	F	EUR	10.9	0.9	–
Baloise Alternative Investment Strategies Limited, St. Helier (Jersey / Channel Islands)	Investment management	L / NL	100.00	100.00	F	USD	0.0	700.4	–
Baloise Finance (Jersey) Ltd., St. Helier (Jersey / Channel Islands)	Other	O	100.00	100.00	F	CHF	1.3	146.1	–
Baloise Private Equity Limited, St. Helier (Jersey / Channel Islands)	Investment management	L / NL	100.00	100.00	F	USD	0.0	501.9	–

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.

46. CHANGES TO SHAREHOLDINGS

The share of capital and share of voting rights in the real-estate company SA Keiberg 401 in Belgium was increased from 46.8 per cent to 100 per cent in the second half of 2016. As a result, the company switched from being an associate to a fully consolidated subsidiary. In 2015, there had been no transactions resulting in a change of control over a subsidiary.

47. CONSOLIDATED STRUCTURED ENTITIES

The Baloise Group held one consolidated structured entity – Baloise Fund Invest (Lux) – at the end of the reporting year. Baloise Fund Invest (Lux) is a Luxembourg-based firm in the legal form of an investment company with variable capital (SICAV managed by a third party). Baloise Fund Invest (Lux) is an umbrella fund consisting of various pools of assets and liabilities (or "sub-funds"), with each sub-fund pursuing its own investment policy. Baloise Fund Invest (Lux) and its sub-funds collectively constitute a legal entity. However, each sub-fund is deemed to be a separate entity as far as the legal relationship between unitholders is concerned. A sub-fund's assets are liable to third parties only for the liabilities and obligations relating to this sub-fund.

The prime objective of Baloise Fund Invest (Lux) is to enable unitholders to benefit from professional management strategies based on the principle of risk diversification in line with each sub-fund's specified investment policy. The holding of units in Baloise Fund Invest (Lux) does not give rise to any contractual obligations. There are no arrangements that oblige the Baloise Group to provide financial support to the consolidated entity Baloise Fund Invest (Lux), and no voluntary financial or other support was provided during the reporting year.

48. JOINT ARRANGEMENTS

There were no joint arrangements in 2016 and in 2015.

49. EVENTS AFTER THE BALANCE SHEET DATE

On 4 January 2017, Baloise Life Ltd in Germany received approval from the Federal Financial Supervisory Authority (BaFin) to sell the life insurance portfolio of Baloise Life Ltd Direktion für Deutschland to Frankfurter Lebensversicherung AG. The Baloise Group announced on 3 February 2017 that the legal transfer had been carried out. The implementation of this transaction is expected to reduce profit by up to CHF 15 million in the first half of 2017. This effect on profit will be recognised in the life segments and in Group business.

On 6 January 2017, the Baloise Group announced that it was acquiring a majority stake in the real-estate company PAX Anlage AG in Basel. This purchase will be completed in 2017.

On 19 January 2017, Basler Versicherungen in Germany announced the sale of its equity investment in Assekuranz Herrmann to the Artus Group. This sale was completed in January 2017.

It has also been decided to acquire the real-estate company VAC De Meander in Belgium. This company is currently constructing an administrative building in Brussels that is to be leased to the Flemish government on a long-term basis. The sale and purchase agreement is expected to be completed in mid-2017.

By the time that these consolidated annual financial statements had been completed on 17 March 2017, we had not become aware of any further events that would have a material impact on the consolidated annual financial statements as a whole.

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To the General Meeting of
Bâloise Holding AG, Basel

Basle, 17 March 2017

Statutory auditor's report on the audit of the financial report

Opinion
We have audited the financial report (pages 110 – 258) of Bâloise Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies.

In our opinion the financial report give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *auditor's responsibilities for the audit of the financial report* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

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

Technical reserves - non-life

Area of focus	Non-life insurance technical reserves include management's estimate of known claims expenses less claims payments, reserves for incurred but not reported losses and provisions for claims handling costs. Inappropriate valuation of the non-life technical reserves (which includes compliance with regulatory requirements), could results in a misstatement to the financial statements of the Group and its overall financial position. The valuation of technical reserves involves a significant amount of management's judgement. Fluctuations within the underlying assumptions and parameter may significantly affect the annual result and Group's equity position. The Group describes its valuation principles for technical reserves of non-life insurance contracts in note 5.4 "Non-life" and note 5.4.2 "Assumptions". The impact of various scenarios is described in note 5.4.4 "Sensitivity analysis".
Our audit response	As part of the audit, we involved our non-life insurance actuarial specialists to independently test management's methodology and the underlying assumptions used. For significant portfolios, our assessment of the actuarial reserves included an independent valuation and a comparison to the Group's financial statements. We further assessed the reserves by auditing management's Liability Adequacy Tests (LAT). Furthermore, we agreed the Group's valuation procedures to local regulatory requirements and audited the required disclosures in the notes to the financial statements.

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Technical reserves - life	
Area of focus	Life insurance technical reserves consist of the actuarial reserves, policyholders' dividends credited and provisions for future policyholders' dividends. The actuarial reserves are valued using actuarial methodologies and assumptions (such as biometric, economic and cost assumptions). Inappropriate valuation of the life insurance technical reserves (which includes compliance with regulatory requirements), could result in a misstatement to the financial statements of the Group and its overall financial position. The valuation of technical reserves for life insurance contracts involves a significant amount of management's judgment. Differences within the underlying assumptions may significantly affect the annual result and Group's equity position. The Group describes its valuation principles for technical reserves for life insurance contracts in note 5 "Management of insurance and financial risk" and note 5.5.2 "Assumptions". The impact of various scenarios is described in note 5.4.4 "Sensitivity analysis".
Our audit response	As part of the audit, we involved our life insurance actuarial specialists to independently test management's methodology and the underlying assumptions used. For significant portfolios, our assessment of the actuarial reserves included an independent valuation and a comparison to the Group's financial statements. We further assessed the reserves by auditing management's Liability Adequacy Tests (LAT). Furthermore, we agreed the Group's valuation procedures to local regulatory requirements and audited the required disclosures in the notes to the financial statements.

Valuation of investments without publically available market values

Area of focus	Certain financial instructions (such as derivatives and investment properties) are valued using models, as they are not quoted on a publically available market. Due to the complexity of the models and significant judgement applied by management to the model parameters, any deficiencies or inaccurate model parameters could lead to material differences within the Group's consolidated financial statements. We focused on this area because of the complexity of the models and because model parameters are inherently subject to judgement applied by management. Model deficiencies or inaccurate model parameters could lead to material differences within the Group's consolidated financial statements. The Group describes the risks inherent with the valuation of investments without publically available market values in note 4 "Critical accounting principles and estimate" and the valuation principles in note 5.10 "Fair value measurement".
Our audit response	We assessed and tested the design and operating effectiveness of the key controls related to investment valuation including the process over the control over accuracy of prices, and the control over the review of the models and model parameters. On a sample basis we identified the market data input used by the Group and tested them against independent data. For complex products, we involved our internal valuation specialists, used the Group's input data with the independent model, and calculated an independent valuation. Furthermore, we audited the required disclosures in the notes to the financial statements.

Other matter

The financial report of Bâloise Holding AG for the year ended 31 December 2015 was examined by another statutory auditor who expressed an unmodified opinion on the financial report on 18 March 2016.

Other information in the annual report

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report
Our objectives are to obtain reasonable assurance about whether the financial report as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial report.

A further description of our responsibilities for the audit of the financial report is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

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

We recommend that the financial report submitted to you be approved.

Ernst & Young Ltd

Stefan Marc Schmid Licensed audit expert (Auditor in charge)	Christian Fleig Licensed audit expert

Bâloise Holding Ltd

Income statement of Bâloise Holding Ltd

	Note	2015	2016
CHF million			
Income from long-term equity investments		328.1	256.3
Income from interest and securities	2	16.6	102.0
Other income	3	210.4	12.4
Total income		555.1	370.7
Administrative expenses	4	– 35.1	– 40.7
Depreciation, amortisation and impairment	5	– 45.5	–
Interest expenses	6	– 34.8	– 33.0
Other expenses		– 3.8	– 2.5
Total expenses		– 119.2	– 76.2
Tax expense		– 1.0	– 5.3
Profit for the period		434.9	289.2

Balance sheet of Bâloise Holding Ltd

	Note	31.12.2015	31.12.2016
CHF million			
Assets			
Cash and cash equivalents[1]	7	253.4	76.5
Receivables from Group companies[1]	8	169.6	207.5
Receivables from third parties		4.1	5.0
Current assets		427.1	289.0
Financial assets			
Loans to Group companies[1]	9	102.0	102.0
Long-term equity investments	10	1,874.9	1,849.5
Non-current assets		1,976.9	1,951.5
Total assets		2,404.0	2,240.5
Equity and liabilities			
Current liabilities			
Liabilities to Group companies[1]		0.1	8.5
Liabilities to third parties		0.1	0.0
Current interest-bearing liabilities[1]	11	242.5	225.0
Deferred income		28.2	22.9
Non-current liabilities			
Long-term interest-bearing liabilities[1]	12	1,475.0	1,250.0
Provisions		9.7	8.2
Liabilities		1,755.6	1,514.6
Share capital		5.0	5.0
Statutory retained earnings			
General reserve		11.7	11.7
Reserve for treasury shares		3.5	2.3
Voluntary retained earnings[1]			
Free reserves[1]		387.6	573.9
Distributable profit:[1]			
– Profit carried forward[1]		0.5	0.4
– Profit for the period[1]		434.9	289.2
Treasury shares	13	–194.8	–156.6
Equity	14	648.4	725.9
Total equity and liabilities		2,404.0	2,240.5

1 Adjustments balance items; see notes to the financial statements.

Notes to the financial statements of Bâloise Holding Ltd

1. ACCOUNTING POLICIES

General

These annual financial statements of Bâloise Holding Ltd domiciled in Basel have been prepared in accordance with the provisions of Swiss accounting law (Title 32 of the Swiss Code of Obligations). To improve comprehensibility, the following adjustments were made to balance sheet line items that did not cause any changes in equity:

- The call money and fixed-term deposits previously recognised as other financial assets are now included in cash and cash equivalents, which is a more accurate disclosure in view of their maturities.
- The dividends receivable previously recognised as accrued income are now included in receivables from Group companies because approval has been granted by the annual general meetings of the subsidiaries.
- The bonds are categorised as current or non-current liabilities depending on their residual term.
- Voluntary retained earnings are disclosed in greater detail, enabling reconciliation to the proposed appropriation of distributable profit.

The main policies applied which are not prescribed by law are described below.

Cash and cash equivalents

Cash and cash equivalents include bank deposits and cash equivalents such as call money, fixed-term deposits and money market instruments. They are recognised at their nominal amount.

Receivables from Group companies

This line item includes expenses relating to the new financial year that have been paid in advance and income from the reporting year that will not be received until a later date. It also comprises dividends approved by subsidiaries' annual general meetings at the balance sheet date, which Bâloise Holding reports as dividends receivable. They are recognised at their nominal amount.

Receivables from third parties

Receivables are recognised at their nominal amount less any impairment losses.

Loans to Group companies

These loans are measured at their nominal amount less any impairment losses. Specific write-downs are recognised for all identifiable risks in accordance with the prudence principle.

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 and 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.

NOTES TO THE INCOME STATEMENT

2. INCOME FROM INTEREST AND SECURITIES

CHF million	2015	2016
Income from treasury shares	10.4	13.1
Interest on loans to Group companies	3.7	3.7
Realised income treasury shares	2.6	85.2
Other income from interest and securities	–0.1	0.0
Total income from interest and securities	16.6	102.0

3. OTHER INCOME

CHF million	2015	2016
Write-up on long-term equity investment	203.5	–
Sundry other income	6.9	12.4
Total other income	210.4	12.4

In connection with the implementation of the new financial reporting standards, the principle of itemised measurement applies since 1 January 2015 to long-term equity investments. The application of this new ruling resulted in the reversal of an impairment loss under commercial law of CHF 203.5 million on the long-term equity investment in Baloise (Luxembourg) Holding S.A. in the 2015 annual financial statements.

4. ADMINISTRATIVE EXPENSES

CHF million	2015	2016
Personnel expenses[1]	−22.7	−27.6
Other administrative expenses	−12.4	−13.1
Total administrative expenses	−35.1	−40.7

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

5. DEPRECIATION, AMORTISATION AND IMPAIRMENT

CHF million	2015	2016
Impairment losses on long-term equity investments	−45.5	–
Total depreciation, amortisation and impairment	−45.5	0.0

In connection with the implementation of the new financial reporting standards, the principle of itemised measurement applies since 1 January 2015 to long-term equity investments. The application of this new ruling resulted in the recognition of an impairment loss of CHF 45.5 million on the long-term equity investment in Baloise Life (Liechtenstein) AG in the 2015 annual financial statements.

6. INTEREST EXPENSES

CHF million	2015	2016
Interest on bonds	−34.6	−33.0
Other interest expenses	−0.2	−0.0
Total interest expenses	−34.8	−33.0

NOTES TO THE BALANCE SHEET

7. CASH AND CASH EQUIVALENTS

CHF million	31.12.2015	31.12.2016
Bank credit	58.6	76.5
Call money	124.8	–
Fixed-term deposits	70.0	–
Total cash and cash equivalents	253.4	76.5

8. RECEIVABLES FROM GROUP COMPANIES

CHF million	31.12.2015	31.12.2016
Dividends	167.6	207.0
Other receivables	2.0	0.5
Total receivables from Group companies	169.6	207.5

The annual general meeting of Haakon AG, Basel, held on 23 February 2017, the AGMs of Baloise Asset Management Schweiz AG and of Baloise Asset Management International AG, Basel, held on 14 March 2017, the AGM of Basler Versicherung AG and Basler Leben AG, Basel, held on 17 March 2017 and the AGM of Baloise Bank SoBa AG, Solothurn, held on 10 April 2017 voted to recognise the dividends receivable for the 2016 financial year as accrued income.

9. LOANS TO GROUP COMPANIES

CHF million	31.12.2015	31.12.2016
Subordinated loans to Baloise Bank SoBa	40.0	40.0
Subordinated loans to Bâloise (Luxembourg) Holding S.A.	62.0	62.0
Total loans to Group companies	102.0	102.0

10. LONG-TERM EQUITY INVESTMENTS

	Total shareholding as at 31.12.2015 (with voting rights)	Total shareholding as at 31.12.2016 (with voting rights)		Share capital as at 31.12.2016	Capital share
	(per cent)[1]	(per cent)[1]	Currency	(million)	(million)
Company					
Basler Versicherung AG, Basel	100.00	100.00	CHF	75.0	75.0
Basler Leben AG, Basel	100.00	100.00	CHF	50.0	50.0
Baloise Bank SoBa AG, Solothurn	100.00	100.00	CHF	50.0	50.0
Baloise Asset Management Schweiz AG, Basel	100.00	100.00	CHF	1.5	1.5
Baloise Asset Management International AG, Basel	100.00	100.00	CHF	1.5	1.5
Baloise Immobilien Management AG, Basel	–	100.00	CHF	0.1	0.1
Haakon AG, Basel	74.75	74.75	CHF	0.2	0.1
Baloise Life (Liechtenstein) AG, Balzers	100.00	100.00	CHF	7.5	7.5
Basler Saturn Management B.V., Amsterdam	100.00	100.00	EUR	0.0	0.0
Bâloise (Luxembourg) Holding S.A., Bertrange (Luxembourg)	100.00	100.00	CHF	250.0	250.0
Bâloise Delta Holding S.à.r.l., Bertrange (Luxembourg)	100.00	100.00	EUR	224.3	224.3
Baloise Fund Invest Advico, Bertrange (Luxembourg)	100.00	100.00	EUR	0.1	0.1
Baloise Insurance Company (Bermuda) Ltd., Hamilton, Bermuda	100.00	100.00	CHF	5.0	5.0
Baloise Finance (Jersey) Ltd, St. Helier, Jersey	100.00	100.00	CHF	1.3	1.3

1 Investments stated as a percentage are rounded down.

11. CURRENT INTEREST-BEARING LIABILITIES

31.12.2016	Interest rate	Issued	Maturity date	Amount CHF million
Securities with security number				
Bond 18 829 553	1.000 %	12.10.2012	12.10.2017	225.0
Total current interest-bearing liabilities				225.0

12. LONG-TERM INTEREST-BEARING LIABILITIES

31.12.2016	Interest rate	Issued	Maturity date	Amount CHF million
Securities with security number				
Bond 14 829 501	2.250 %	1.3.2012	1.3.2019	175.0
Bond 11 768 379	2.875 %	14.10.2010	14.10.2020	300.0
Bond 13 180 461	3.000 %	7.7.2011	7.7.2021	250.0
Bond 19 469 508	2.000 %	12.10.2012	12.10.2022	150.0
Bond 20 004 482	1.750 %	26.4.2013	26.4.2023	225.0
Bond 26 139 906	1.125 %	19.12.2014	19.12.2024	150.0
Total long-term interest-bearings liabilities				1,250.0

13. TREASURY SHARES

Number of registered shares	Low in CHF	High in CHF	Average share price (CHF)	Number
Balance on 1 January 2015				2,133,376
Purchases	110.2	127.7	116.3	537,256
Sales	–	–	–	0
Disposals in connection with share participation programmes				– 97,912
Balance on 31 December 2015				2,572,720
Purchases	103.69	124.55	111.6	581,402
Sales	121.8	129.26	125.8	– 768,901
Conversion convertible bonds				– 660,973
Disposals in connection with share participation programmes				– 99,504
Balance on 31 December 2016				1,624,744

14. CHANGES IN EQUITY

	Share capital	Statutory retained earnings		Voluntary retained earnings		Treasury shares	Total equity
		General reserve	Reserve for treasury shares	Free reserves	Distributable profit		
CHF million							
Balance as at 1 January 2015[1]	5.0	11.7	4.9	230.2	406.5	– 141.9	516.4
Allocation 2015	–	–	–	156.0	– 156.0	–	0.0
Dividend	–	–	–	–	– 250.0	–	– 250.0
Additions	–	–	–	–	–	–	0.0
Change in treasury shares	–	–	–	–	–	– 52.9	– 52.9
Recognition / reversal	–	–	– 1.4	1.4	–	–	0.0
Profit for the period	–	–	–	–	434.9	–	434.9
Balance as at 31 December 2015	5.0	11.7	3.5	387.6	435.4	– 194.8	648.4
Allocation 2015	–	–	–	185.0	– 185.0	–	0.0
Dividend	–	–	–	–	– 250.0	–	– 250.0
Additions	–	–	–	–	–	–	0.0
Change in treasury shares	–	–	–	–	–	38.2	38.2
Recognition / reversal	–	–	– 1.2	1.2	–	–	0.0
Profit for the period	–	–	–	–	289.2	–	289.2
Balance as at 31 December 2016	5.0	11.7	2.3	573.8	289.6	– 156.6	725.8

1 Adapted to new Financial Reporting Law.

15. SIGNIFICANT SHAREHOLDERS

The information available to the Company reveals that the following significant shareholders and shareholder groups linked by voting rights held long-term equity investments in the Company within the meaning of section 663c of the Swiss Code of Obligations (OR) as at 31 December 2015:

Per cent	Total shareholding as at 31.12.2015	Share of voting rights as at 31.12.2015	Total shareholding as at 31.12.2016	Share of voting rights as at 31.12.2016
Shareholders				
Chase Nominees Ltd.[1]	6.0	2.0	7.2	2.0
Black Rock Inc.	›5.0	‹2.0	›5.0	‹2.0
UBS Fund Management AG	›3.0	‹2.0	0.0	0.0
LSV Asset Management	›3.0	0.0	›3.0	0.0
Mellon Bank N.A.[1]	3.1	0.0	–	–
Nortrust Nominees Ltd.[1]	2.6	0.0	2.8	0.0
Bank of New York Mellon N.V.[1]	2.8	0.0	5.9	0.0
Credit Suisse Funds AG	‹3.0	‹2.0	‹3.0	‹2.0

1 Custodian nominees who hold shares in trust for third parties are counted as part of the free float under the SIX Exchange regulations. Such shareholder groups are not subject to disclosure requirements under Swiss stock market legislation.

16. CONTINGENT LIABILITIES

	31.12.2015	31.12.2016
CHF million		
Collateral, guarantee commitments	58.4	57.8

Bâloise Holding Ltd has furthermore issued the following letter of comfort:

As the owner of Baloise Life (Liechtenstein) AG, Bâloise Holding Ltd, Basel, undertakes 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 its RentaProtect Time, RentaSafe Time (D-CHF) and RentaProtect Performance products. The maximum liability corresponds to the present value of the outstanding guaranteed insurance benefits as at 31 December 2016. As at the balance sheet date, the expected insurance benefits were fully backed by customer deposit accounts governed by individual agreements, the reinsurance contract and the collateral lodged with Baloise Life (Liechtenstein) AG by the reinsurer.

Bâloise Holding Ltd is jointly and severally liable for the value added tax (VAT) owed by all companies that form part of the tax group headed by Baloise Insurance Ltd.

17. CEDED ASSETS

Bâloise Holding Ltd lends some of its treasury shares to Baloise Insurance Ltd every year under a securities lending agreement. These shares are used in the Share Participation Plan run by Baloise Insurance Ltd. No assets had been ceded at the balance sheet date (2015: none).

18. REMUNERATION PAID TO THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE COMMITTEE

The information to be disclosed in accordance with sections 663b (bis) and 663c of the Swiss Code of Obligations (OR) is contained in the Remuneration Report, which can be found on pages 76 to 107 of the chapter on 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.

19. NET REVERSAL OF HIDDEN RESERVES

In 2016, no hidden reserves were reversed.

20. EXEMPTIONS DUE TO PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Because Bâloise Holding Ltd has prepared consolidated financial statements in accordance with recognised financial reporting standards (IFRS), in accordance with statutory provisions (article 961d [1] of the Swiss Code of Obligations [OR]), it has dispensed with the notes on long-term interest-bearing liabilities and audit fees as well as the presentation of a cash flow statement or a management report in these annual financial statements.

21. EVENTS AFTER THE BALANCE SHEET DATE

By the time that these annual financial statements had been completed on 17 March 2017, we had not become aware of any 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 289,202,029.24.

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.

	2015	2016
CHF		
Profit for the period	434,861,183.39	289,202,029.24
Profit carried forward from the previous year	534,015.61	395,199.00
Distributable profit	435,395,199.00	289,597,228.24
Proposals by the Board of Directors:		
Allocated to free reserves	– 185,000,000.00	– 29,000,000.00
Withdrawn from free reserves	–	–
Dividend	– 250,000,000.00	– 260,000,000.00
Profit to be carried forward	395,199.00	597,228.24

The appropriation of profit is consistent with section 30 of the Articles of Incorporation. Each share confers the right to receive a dividend of CHF 5.20 gross or CHF 3.38 net of withholding tax.

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To the General Meeting of
Bâloise Holding AG, Basel

Basle, 17 March 2017

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements (pages 268 – 280) of Bâloise Holding AG, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2016.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2016 comply with Swiss law and the company's articles of incorporation.

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Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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

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

Valuation of long-term equity investments

Area of focus

Bâloise Holding Ltd accounts for long-term equity investments at cost less necessary impairments and valued on an individual basis. Management assesses whether there are any impairment losses in the carrying value of the long-term equity investments, by comparing the carrying amount to the net asset value of the subsidiary or to a valuation of the subsidiary by using a discounted cash flow analysis. The determination whether a long-term equity investments needs to be impaired involves management's judgement, this includes assumptions about the profitability of the underlying business and growth.

We consider this a key audit matter not only due to this judgment involved but also based on the magnitude of the carry value of the long-term equity investments within the financial statements of Bâloise Holding Ltd.

Bâloise Holding Ltd describes the valuation principles for long-term equity investments as part of the accounting policy note in the financial statements.

Our audit response

In relation to the key audit matter set out above, we assessed the appropriateness of the Company's impairment testing methodology. We reperformed management's impairment test on the carrying value of each investment, including the assessment of management's assumptions and challenged the impairment decisions taken. We have audited the required disclosures in the notes to the financial statements as at 31 December 2016.

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Other matter
The financial statements of Bâloise Holding Ltd for the year ended 31 December 2015 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 18 March 2016.

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

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

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

Ernst & Young Ltd

Stefan Marc Schmid Licensed audit expert (Auditor in charge)	Christian Fleig Licensed audit expert

Jahresrechnung 2016

Basler Leben AG, Basel

Basler Versicherungen

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Jahresrechnung

Erfolgsrechnung

Geschäftsjahr endend am 31. Dezember, in Mio. CHF	Anhang	2016	2015
Bruttoprämie		3'078.3	3'341.1
Anteil Rückversicherer an Bruttoprämie		-17.1	-17.2
Prämie für eigene Rechnung		**3'061.2**	**3'323.9**
Veränderung der Prämienüberträge (brutto)		5.6	4.0
Anteil Rückversicherer an Veränderung der Prämienüberträge		0.0	0.0
Veränderung der Prämienüberträge für eigene Rechnung		**5.6**	**4.0**
Verdiente Prämien für eigene Rechnung		**3'066.8**	**3'327.9**
Sonstige Erträge aus dem Versicherungsgeschäft		1.1	1.1
Total Erträge aus dem versicherungstechnischen Geschäft		**3'067.8**	**3'329.0**
Zahlungen für Versicherungsfälle brutto		-3'067.2	-2'836.1
Anteil Rückversicherer an Zahlungen für Versicherungsfälle		6.5	2.5
Zahlungen für Versicherungsfälle für eigene Rechnung		**-3'060.7**	**-2'833.6**
Veränderungen der versicherungstechnischen Rückstellungen (brutto)	8	-485.0	-964.6
Anteil Rückversicherer an Veränd. der versicherungstechn. Rückstellungen	8	11.4	13.1
Veränderung der versicherungstechn. Rückstellungen für anteilgeb. Lebensversicherung		-20.5	-37.6
Aufwendungen für Versicherungsfälle für eigene Rechnung		**-3'554.8**	**-3'822.7**
Abschluss- und Verwaltungsaufwand		-175.3	-183.3
Anteil Rückversicherer an Abschluss- und Verwaltungsaufwand		5.0	0.5
Abschluss- und Verwaltungsaufwand für eigene Rechnung		**-170.3**	**-182.8**
Sonstige versicherungstechnische Aufwendungen für eigene Rechnung		-3.5	-4.6
Total Aufwendungen aus dem versicherungstechnischen Geschäft		**-3'728.6**	**-4'010.0**
Erträge aus Kapitalanlagen	9	1'222.2	1'877.0
Aufwendungen aus Kapitalanlagen	9	-462.1	-1'073.6
Kapitalanlagenergebnis		**760.1**	**803.4**
Kapital- und Zinserfolg aus anteilgebundener Lebensversicherung		13.4	-3.4
Sonstige finanzielle Erträge		13.9	13.6
Sonstige finanzielle Aufwendungen		-13.8	-22.4
Operatives Ergebnis		**112.8**	**110.2**
Zinsaufwendungen für verzinsliche Verbindlichkeiten		-11.1	-14.9
Sonstige Erträge		12.7	13.4
Sonstige Aufwendungen		-20.1	-14.1
Gewinn vor Steuern		**94.2**	**94.6**
Direkte Steuern		-10.8	-19.1
Gewinn		**83.4**	**75.5**

Bilanz

31. Dezember, in Mio. CHF	Anhang	2016	2015
AKTIVEN			
Immobilien		3'960.9	3'590.2
Beteiligungen	10	0.0	0.0
Festverzinsliche Wertpapiere		16'984.2	17'022.2
Darlehen	3	2'343.7	2'251.5
Hypotheken		3'791.6	3'873.1
Aktien		2'337.7	2'558.8
Übrige Kapitalanlagen	1, 3	1'204.0	1'236.8
Total Kapitalanlagen		**30'622.1**	**30'532.5**
Kapitalanlagen aus anteilgebundener Lebensversicherung	2	654.0	633.7
Flüssige Mittel	3	206.6	352.7
Anteil versicherungstechnische Rückstellungen aus Rückversicherung	3, 6	37.6	26.3
Immaterielle Vermögenswerte		4.0	4.5
Forderungen aus dem Versicherungsgeschäft	4	33.2	48.1
Übrige Forderungen	3	226.0	104.1
Aktive Rechnungsabgrenzungen	3	272.1	279.4
Total Aktiven		**32'055.5**	**31'981.1**
PASSIVEN			
Prämienübertrag	6	123.1	128.8
Rückstellungen für Versicherungsleistungen	6	565.0	631.0
Deckungskapital	6	26'454.8	25'970.8
Rückstellungen für vertragliche Überschussbeteiligungen	6	500.5	548.1
Rückstellungen für Überschussfonds	6	357.2	385.5
Total Versicherungstechnische Rückstellungen		**28'000.6**	**27'664.3**
Versicherungstechn. Rückstellungen für anteilgebundene Lebensversicherung		654.0	633.7
Nichtversicherungstechnische Rückstellungen		391.5	431.5
Verzinsliche Verbindlichkeiten	3, 7	629.5	1'000.8
Depotverbindlichkeiten aus abgegebener Rückversicherung	3	1.8	1.8
Verbindlichkeiten aus dem Versicherungsgeschäft	4	665.0	717.8
Sonstige Passiven		292.9	215.2
Passive Rechnungsabgrenzungen	3	128.0	107.3
Nachrangige Verbindlichkeiten	3, 7	300.0	300.0
Total Fremdkapital		**31'063.4**	**31'072.4**
Gesellschaftskapital	5	50.0	50.0
Gesetzliche Gewinnreserven	5	25.0	25.0
Freiwillige Gewinnreserven	5	917.1	833.7
Total Eigenkapital		**992.1**	**908.7**
Total Passiven		**32'055.5**	**31'981.1**

Anhang zur Jahresrechnung

Grundsätze der Rechnungslegung

Die vorliegende Jahresrechnung 2016 wurde gemäss den Vorschriften des Schweizerischen Gesetzes (32. Titel des Obligationenrechts), insbesondere der Artikel über die kaufmännische Buchführung und Rechnungslegung (Art. 957 bis 962 OR), in Kraft getreten am 01.01.2013, erstellt. Neben dem Schweizerischen Obligationenrecht werden auch die Bestimmungen der Verordnung der Eidgenössischen Finanzmarktaufsicht über die Beaufsichtigung von privaten Versicherungsunternehmen (Art. 5a AVO-FINMA) angewendet, insbesondere im Hinblick auf die Mindestgliederung der Bilanz und Erfolgsrechnung.

Bilanzposition	Schweiz	Direktion für Deutschland Bad Homburg
Immobilien	Selbstgenutzte Liegenschaften: Anschaffungswert abzüglich notwendiger Abschreibungen; Renditeliegenschaften: Anschaffungswert abzüglich notwendiger Wertberichtigungen. Die Bewertung erfolgt auf der Basis von gleichartigen Gruppen (Regionen, Nutzungsart)	-
Beteiligungen	Anschaffungswert abzüglich notwendiger Wertberichtigungen	-
Festverzinsliche Wertpapiere	Amortized Cost-Methode	Anschaffungskosten abzüglich notwendiger Abschreibungen, Wertaufholungsgebot[1] beachtet
Einanlegerfonds	Die Bewertung der Festverzinslichen Wertpapiere im Einanlegerfonds ist identisch zur Bewertung direkt gehaltener Wertpapiere.	Ein bedeutender Teil des Vermögens ist in den Einanlegerfonds BL-DfD-Universal-Fonds investiert. Im handelsrechtlichen Abschluss der BL werden die Anteile (und nicht die Einzeltitel) am Einanlegerfonds gezeigt.
Darlehen	Nominalwert abzüglich notwendiger Wertberichtigungen und Pauschalwertberichtigungen	Amortized Cost-Methode
Namensschuldverschreibungen	-	Nominalwert, zusätzlich werden Agiobeträge aktiv abgegrenzt und über die Laufzeit aufgelöst, entsprechend werden Disagiobeträge passiv abgegrenzt und auf die Laufzeit verteilt.

[1] Bei Vermögensgegenständen des Umlaufvermögens sind Abschreibungen vorzunehmen, um diese mit einem niedrigeren Wert anzusetzen, der sich aus einem Börsen- oder Marktpreis am Abschlussstichtag ergibt (§ 253 Abs.4 HGB) Ein niedrigerer Wertansatz nach Absatz 3 Satz 5 oder 6 und Absatz 4 darf nicht beibehalten werden, wenn die Gründe dafür nicht mehr bestehen (§ 253 Abs. 5 HGB). Um die Vorschriften der OR Rechnungslegung zu gewährleisten, werden diese Wertaufholungen durch Bildung einer Rückstellung im Schweizer Geschäft eliminiert.

Bilanzposition	Schweiz	Direktion für Deutschland, Bad Homburg
Schuldschein-forderungen	-	Amortized Cost-Methode
Policendarlehen und Vorauszahlungen auf Versicherungsscheine	Nominalwert	Amortized Cost-Methode
Hypotheken	Nominalwert abzüglich notwendiger Wertberichtigungen und Pauschalwertberichtigungen	Amortized Cost-Methode abzüglich notwendiger Wertberichtigungen und Pauschalwertberichtigungen
Aktien	Grundsatz Strenges Niederstwertprinzip; Titel, die für die anteilgebundene Lebensversicherung vorgesehen sind, werden zum Marktwert bilanziert	Anschaffungskosten abzüglich notwendiger Abschreibungen, Wertaufholungsgebot[1] beachtet
Hedge Funds und Private Equity	Strenges Niederstwertprinzip	-
Derivate	Grundsatz Marktwert; Derivate, welche das Wiederanlagerisiko abdecken, werden zum Niederstwert bilanziert.	-
Festgelder	Nominalwert	Nominalwert
Kapitalanlagen aus anteilgebundener Lebensversicherung	Marktwert	Marktwert
Flüssige Mittel	Nominalwert	Nominalwert
Immaterielle Vermögenswerte	Anschaffungswert (nur Fremdleistungen) abzüglich planmässiger Abschreibungen und notwendiger Wertberichtigungen	Anschaffungskosten abzüglich planmässiger Abschreibungen und notwendiger Wertberichtigungen
Forderungen aus dem Versicherungsgeschäft	Nominalwert abzüglich notwendiger Wertberichtigungen und Pauschalwertberichtigungen	Nominalwert abzüglich notwendiger Wertberichtigungen und Pauschalwertberichtigungen
Übrige Forderungen	Nominalwert abzüglich notwendiger Wertberichtigungen	Nominalwert abzüglich notwendiger Wertberichtigungen
Aktive Rechnungsabgrenzungen	Nominalwert	Nominalwert
Versicherungstechnische Rückstellungen	Gemäss aufsichtsrechtlichem Geschäftsplan	Für die Bilanzierung von versicherungstechnischen Rückstellungen gelten, soweit die besonderen Vorschriften für Versicherungsunternehmen der §§ 341 ff. HGB (Handelsgesetzbuch) nichts anderes vorschreiben, die allgemeinen Vorschriften des Ersten Abschnitts des Dritten Buches im HGB; dies gilt insbesondere für § 249 Abs. 1 HGB über den Ansatz und für § 253 Abs. 1. Satz 2 HGB für die Bewertung von Rückstellungen.

Bilanzposition	Schweiz	Direktion für Deutschland, Bad Homburg
Versicherungstechn. Rückst. für anteilgebundene Lebensversicherung	Marktwert der Assets	Marktwert der Assets
Nichtversicherungstechnische Rückstellungen	Die nichtversicherungstechnischen Rückstellungen entsprechen dem erwarteten Aufwand; Vorsichtsprinzip	Die nichtversicherungstechnischen Rückstellungen entsprechen dem erwarteten Aufwand. Pensionsrückstellungen gemäss Bewertungsmethode Projected-Unit-Credit-Methode
Verzinsliche Verbindlichkeiten	Nominalwert	Erfüllungsbetrag
Depotsverbindlichkeiten aus abgegebener Rückversicherung	Nominalwert	Erfüllungsbetrag
Verbindlichkeiten aus dem Versicherungsgeschäft	Nominalwert	Erfüllungsbetrag
Sonstige Passiven	Nominalwert	Erfüllungsbetrag
Passive Rechnungsabgrenzungen	Nominalwert, Vorsichtsprinzip	Erfüllungsbetrag
Fremdwährungsrisiken	Zum Bilanzstichtag werden in Fremdwährung geführte Aktiv- und Passivpositionen aufgrund aktueller Stichtagskurse (Ausnahme: Beteiligungen) umgerechnet. Die daraus resultierenden Differenzen werden in der Erfolgsrechnung erfasst. Ein Nettofremdwährungsumrechnungsgewinn wird als Rückstellung abgegrenzt.	-

Sämtliche Beträge werden in der Jahresrechnung in Mio. CHF und auf eine Nachkommastelle gerundet ausgewiesen. Als Konsequenz kann in einzelnen Fällen die Addition von gerundeten Beträgen zu einer Abweichung vom ausgewiesenen gerundeten Total führen.

Angaben, Aufschlüsselungen und Erläuterungen zu Positionen der Bilanz und Erfolgsrechnung

1 Aufgliederung der übrigen Kapitalanlagen

31. Dezember, in Mio. CHF	2016	2015
Festgelder	207.9	268.5
Derivative Finanzinstrumente	76.2	83.0
Alternative Finanzanlagen	837.2	863.4
Strukturierte Produkte	82.7	21.8
Total Übrige Kapitalanlagen	1'204.0	1'236.8

2 Aufgliederung der Kapitalanlagen aus anteilgebundener Lebensversicherung

31. Dezember, in Mio. CHF	2016	2015
Festverzinsliche Wertpapiere	33.8	34.2
Fonds	419.3	413.1
Derivative Finanzinstrumente	1.5	0.6
Strukturierte Produkte	195.6	182.5
Sonstiges	3.8	3.3
Total Kapitalanlagen aus anteilgebundener Lebensversicherung	654.0	633.7

3 Forderungen und Verbindlichkeiten mit Nahestehenden

Gegenüber nahestehenden Gesellschaften

31. Dezember, in Mio. CHF	2016	2015
AKTIVEN		
Darlehen	283.7	283.7
Übrige Kapitalanlagen	830.7	857.0
Total Kapitalanlagen	**1'114.4**	**1'140.7**
Flüssige Mittel	0.0	0.0
Anteil versicherungstechnische Rückstellungen aus Rückversicherung	3.2	2.2
Übrige Forderungen	0.3	0.2
Aktive Rechnungsabgrenzungen	5.4	5.4
Total Aktiven	**1'123.3**	**1'148.5**
PASSIVEN		
Verzinsliche Verbindlichkeiten mit Fremdkapitalcharakter	129.5	23.3
Depotverbindlichkeiten aus abgegebener Rückversicherung	0.5	0.5
Passive Rechnungsabgrenzungen	5.7	7.0
Nachrangige Verbindlichkeiten	300.0	300.0
Total Fremdkapital	**435.7**	**330.8**
Total Passiven	**435.7**	**330.8**

Passivdarlehen mit Rangrücktritt

Die Basler Versicherung AG gewährt per 1. Januar 2011 ein Darlehen in Höhe von 300 Mio. CHF an die Basler Leben AG (Ergänzungskapitaldarlehen). Das Darlehen ist per 1.1.2026 zur Rückzahlung fällig. Die Parteien vereinbaren unwiderruflich, dass im Falle der Liquidation, des Konkurses oder des Nachlasses der Darlehensnehmerin das Darlehen erst nach Befriedigung oder Sicherstellung aller übrigen Gläubiger der Darlehensnehmerin zurückbezahlt werden darf.

Gegenüber Beteiligten

31. Dezember, in Mio. CHF	2016	2015
AKTIVEN		
Übrige Forderungen	0.1	0.1
Total Aktiven	**0.1**	**0.1**

Gegenüber Organen

31. Dezember, in Mio. CHF	2016	2015
AKTIVEN		
Darlehen	**5.1**	**6.0**
Total Aktiven	**5.1**	**6.0**

4 Aufgliederung der Forderungen und Verbindlichkeiten aus dem Versicherungsgeschäft

31. Dezember, in Mio. CHF	2016	2015
Forderungen gegenüber Versicherungsnehmern	27.6	33.5
Forderungen gegenüber Agenten und Vermittlern	0.3	0.3
Forderungen gegenüber Versicherungsgesellschaften	5.3	14.2
Forderungen aus dem Versicherungsgeschäft	**33.2**	**48.1**
Verbindlichkeiten gegenüber Versicherungsnehmern	664.5	716.2
Verbindlichkeiten gegenüber Agenten und Vermittlern	0.0	0.0
Verbindlichkeiten gegenüber Versicherungsgesellschaften	0.5	1.7
Verbindlichkeiten aus dem Versicherungsgeschäft	**665.0**	**717.8**

5 Eigenkapitalnachweis

in Mio. CHF	Gesellschafts-kapital	Gesetzl. Gewinnreserven	Freiwillige Gewinnreserven	Total Eigenkapital
Bestand 31.12.2014	50.0	25.0	758.2	833.2
Jahresgewinn			75.5	75.5
Bestand 31.12.2015	50.0	25.0	833.7	908.7
Jahresgewinn			83.4	83.4
Bestand 31.12.2016	50.0	25.0	917.1	992.1

6 Aufgliederung der versicherungstechnischen Rückstellungen

31. Dezember, in Mio. CHF	Brutto 2016	Anteil Rückversicherung 2016	Netto 2016	Brutto 2015	Anteil Rückversicherung 2015	Netto 2015
Prämienübertrag	123.1	-0.5	122.6	128.8	-0.5	128.3
Rückstellungen für Versicherungsleistungen	565.0	-1.1	563.9	631.0	-0.9	630.1
Übrige versicherungstechnische Rückstellungen	0.0	0.0	0.0	0.0	0.0	0.0
Deckungskapital	26'454.8	-36.0	26'418.8	25'970.8	-24.8	25'946.0
Rückstellungen für vertragliche Überschussbeteiligungen	500.5	0.0	500.5	548.1	0.0	548.1
Rückstellungen für Überschussfonds	357.2	0.0	357.2	385.5	0.0	385.5
Total versicherungstechnische Rückstellungen	28'000.6	-37.6	27'963.0	27'664.3	-26.3	27'638.0

7 Fälligkeit der verzinslichen Verbindlichkeiten

Fälligkeiten der verzinslichen Verbindlichkeiten (inklusive nachrangige Verbindlichkeiten)

31. Dezember, in Mio. CHF	**2016**	**2015**
fällig innerhalb von 1 bis 5 Jahres	629.5	1'000.8
fällig nach 5 Jahren (nachrangige Verbindlichkeit)	300.0	300.0
Total verzinsliche Verbindlichkeiten	**929.5**	**1'300.8**

In den verzinslichen Verbindlichkeiten fällig innerhalb von 1 bis 5 Jahren sind Verpflichtungen aus Repurchase Vereinbarungen enthalten in Höhe von 500 Mio. CHF per 31.12.2016 und 975 Mio. CHF per 31.12.2015.

8 Aufgliederung der Veränderungen der versicherungstechnischen Rückstellungen

in Mio. CHF	Brutto 2016	Anteil Rückversicherung 2016	Netto 2016	Brutto 2015	Anteil Rückversicherung 2015	Netto 2015
Veränderung der Rückstellungen für Versicherungsleistungen	65.9	0.2	66.1	-29.8	-0.3	-30.1
Veränd. der übrigen versicherungstechnischen Rückstellungen	0.0	0.0	0.0	0.0	0.0	0.0
Veränderung des Deckungskapitals	-617.3	11.2	-606.1	-1'018.6	13.4	-1'005.1
Veränd. der Rückstellungen für vertragliche Überschussbet.	53.2	0.0	53.2	60.9	0.0	60.9
Veränderung der Rückstellungen für Überschussfonds	13.1	0.0	13.1	22.8	0.0	22.8
Total Veränderung der versicherungstechnischen Rückstellungen	-485.0	11.4	-473.6	-964.6	13.1	-951.5

In den Veränderungen der versicherungstechnischen Rückstellungen sind die bezahlten Überschussanteile (128.4 Mio. CHF) enthalten.
Der Zinsaufwand auf die gutgeschriebenen Überschussanteile (-8.4 Mio. CHF) und die Fremdwährungseffekte der versicherungstechnischen Rückstellungen (23.0 Mio. CHF buchmässiger Währungsgewinn netto in 2016) sind nicht in der Veränderung der versicherungstechnischen Rückstellungen, sondern im sonstigen finanziellen Aufwand enthalten.

9 Angaben zu Erträgen und Aufwendungen aus Kapitalanlagen

2016 in Mio. CHF	Immobilien	Beteiligungen	Festverzinsliche Wertpapiere	Darlehen	Hypotheken	Aktien	Übrige Kapitalanlagen	Total
Erträge	180.9	0.0	342.1	55.6	81.6	101.2	0.1	761.6
Zuschreibungen	0.0	0.0	0.0	0.0	0.0	0.4	0.9	1.3
Realisierte Gewinne	4.4	0.0	161.7	0.9	0.8	33.0	258.5	459.4
Total Erträge aus Kapitalanlagen	**185.3**	**0.0**	**503.8**	**56.5**	**82.5**	**134.6**	**259.5**	**1'222.2**
Abschreibungen und Wertberichtigungen (inkl. Währungen netto)	-15.1	0.0	19.8	-0.3	-0.5	38.2	-80.3	-38.2
Realisierte Verluste	0.0	0.0	-32.4	-11.2	-7.0	-3.5	-317.9	-372.0
	-15.1	*0.0*	*-12.6*	*-11.5*	*-7.5*	*34.6*	*-398.2*	*-410.2*
Anlageverw.kosten								-51.8
Total Aufwendungen aus Kapitalanlagen								**-462.1**

2015 in Mio. CHF	Immobilien	Beteiligungen	Festverzinsliche Wertpapiere	Darlehen	Hypotheken	Aktien	Übrige Kapitalanlagen	Total
Erträge	186.4	0.0	358.7	56.4	85.2	75.5	1.0	763.2
Zuschreibungen	0.0	0.0	0.0	0.0	0.0	0.1	2.6	2.7
Realisierte Gewinne	42.8	0.0	154.7	6.3	1.9	31.8	873.7	1'111.1
Total Erträge aus Kapitalanlagen	**229.2**	**0.0**	**513.3**	**62.7**	**87.1**	**107.4**	**877.3**	**1'877.0**
Abschreibungen und Wertberichtigungen (inkl. Währungen netto)	-19.8	0.0	-206.9	-2.9	-2.3	-64.5	-40.8	-337.1
Realisierte Verluste	0.0	0.0	-58.8	0.0	0.0	-28.0	-599.0	-685.9
	-19.8	*0.0*	*-265.7*	*-2.9*	*-2.3*	*-92.5*	*-639.8*	*-1'023.0*
Anlageverw.kosten								-50.5
Total Aufwendungen aus Kapitalanlagen								**-1'073.6**

10 Beteiligungen

	Kapitalanteil in %	Stimmenanteil in %	Buchwert in Mio. CHF **31.12.2016**	Kapitalanteil in %	Stimmenanteil in %	Buchwert in Mio. CHF **31.12.2015**
Schweiz						
Prevo-System AG, Basel	24	24	p.m.	24	24	p.m.

Weitere Angaben gemäss OR Rechnungslegung

Gesamtbetrag der aufgelösten stillen Reserven

Es wurden im Berichtsjahr 165.3 Mio. CHF (Vorjahr 0 Mio. CHF) aktienrechtliche stille Reserven aufgelöst.

Anzahl Vollzeitstellen

Die Basler Leben AG beschäftigt keine eigenen Mitarbeiter.
Die Mitarbeiter der Basler Leben AG Direktion für Deutschland werden im Rahmen von Mehrfacharbeitsverträgen beschäftigt, d.h. sie sind auf Grundlage dieser Verträge auch für die Basler Lebensversicherungs-AG (Hamburg), die Basler Sachversicherungs-AG (Bad Homburg) und die Basler Versicherung AG Direktion für Deutschland tätig. Die Pensionsrückstellungen für diese aktiven Mitarbeiter werden komplett bei der Basler Sachversicherungs-AG gebildet.

Verbindlichkeiten gegenüber Vorsorgeeinrichtungen

31. Dezember, in Mio. CHF	**2016**	**2015**
Verpflichtungen gegenüber eigenen Vorsorgeeinrichtungen	**0.0**	**2.5**

Gesamtbetrag der für Verbindlichkeiten Dritter bestellten Sicherheiten

31. Dezember, in Mio. CHF	**2016**	**2015**
Bürgschaften, Garantieverpflichtungen und Pfandbestellungen zugunsten Dritter	**12.0**	**12.4**

Für die in der Schweiz geschuldete Mehrwertsteuer haftet die Basler Leben AG solidarisch mit allen Gesellschaften, die unter der Führung der Basler Versicherung AG der Gruppenbesteuerung unterliegen.

Gesamtbetrag der zur Sicherung eigener Verbindlichkeiten verwendeter Aktiven sowie Aktiven unter Eigentumsvorbehalt

31. Dezember, in Mio. CHF	**2016**	**2015**
Verpfändete oder abgetretene Aktiven sowie Aktiven unter Eigentumsvorbehalt	**1'655.2**	**2'024.1**

Per 31.12.2016 waren Wertschriften im Wert von 1'016.0 Mio. CHF im Rahmen des Wertpapierleihe-Geschäftes ausgeliehen. Per 31.12.2015 waren Wertschriften im Wert von 1'114.0 Mio. CHF ausgeliehen.

Erläuterungen zu ausserordentlichen, einmaligen und periodenfremden Positionen der Erfolgsrechnung

Es sind keine ausserordentlichen, einmaligen und periodenfremden Geschäftsvorfälle vorgekommen.

Personalaufwand

Personalaufwand

31. Dezember, in Mio. CHF	**2016**	**2015**
Verrechneter Personalaufwand	**153.6**	**157.7**

Abschreibungen und Wertberichtigungen auf Anlagevermögen

31. Dezember, in Mio. CHF	**2016**	**2015**
Immaterielle Anlagen	1.2	1.0
Kapitalanlagen	44.2	342.3
Total Abschreibungen und Wertberichtigungen	**45.4**	**343.3**

Wesentliche Ereignisse nach Bilanzstichtag

Am 4. Januar 2017 hat die Basler Leben AG (Direktion für Deutschland) die Genehmigung von der Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) erhalten, den Bestand an Lebensversicherungen der Basler Leben AG (Direktion für Deutschland) an die Frankfurter Lebensversicherung AG zu veräussern. Am 3. Februar 2017 wurde durch die Baloise Group mitgeteilt, dass der rechtliche Übergang vollzogen ist. Aus dieser Geschäftstransaktion entsteht eine Eventualverbindlichkeit aus einer Freistellungsvereinbarung im Umfang von maximal 10 Mio. EUR.

Antrag des Verwaltungsrats über die Verwendung des Bilanzgewinns

31. Dezember, in CHF	**2016**	**2015**
Jahresgewinn	83'401'345.23	75'492'532.51
Gewinnvortrag aus dem Vorjahr	923'149.71	930'617.20
Bilanzgewinn	**84'324'494.94**	**76'423'149.71**
Entnahme aus freien Reserven	0.00	0.00
Zur Verfügung Generalversammlung	**84'324'494.94**	**76'423'149.71**
Statutarische Dividende 5%	-2'500'000.00	0.00
Zusatzdividende	-17'500'000.00	0.00
Zuweisung in freie Reserven	-63'400'000.00	-75'500'000.00
Vortrag auf neue Rechnung	**924'494.94**	**923'149.71**

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