

# Operating Statement Occupational Pension Provision

2018



---

## Table of contents

---

Operating statement at a glance	3
Baloise is committed to its comprehensive product range	4
Income statement	5
Balance sheet	7
The occupational pension investment portfolio in detail	9
Investments: a solid result in a volatile stock market environment	9
Explanations of the business processes and proof of compliance with the minimum quota	10
Business subject to the minimum quota	11
Business not subject to the minimum quota	12
Actuarial balance sheet items and other key figures	13
Surplus fund	13
Net investment income	13
Investments and hidden reserves	13
Market value of investments	13
Return on book value and performance as at market value	14
Interest and conversion rates	14
Number of insured persons	14
Cost premiums	14
Operating expenses	15
Asset management costs	15

## Operating statement at a glance

---

Operating profit  
CHF **49.9** million

Investments  
CHF **20.3** billion

---

**156 682**  
active insured persons

Return on book value (net) of  
**1.96 %**

---

CHF **70** million  
total allocation to the surplus fund

Distribution ratio of  
**92.4 %**

---

More than  
**15 000**  
companies

CHF **2.3** billion  
in premium income

---

## Baloise is committed to its comprehensive product range

We will continue! More than 15 000 companies place their trust in us when it comes to the pension assets of their 160 000 employees. Our customers want to put the issue of pension provision in Baloise's safe hands and a large proportion of them also want us to provide cover for all of the risks they are exposed to. This means that comprehensive insurance remains a popular product that Baloise offers its customers today, and will continue to offer its customers in the future.

### **Thomas Schöb, how would you describe your experience of occupational pension provision last year?**

It was an eventful year! Two of our competitors embarked on a strategic repositioning exercise: one of them has abandoned comprehensive insurance and the other has discontinued its semi-autonomous offering. While this has caused turbulence and also a degree of uncertainty on the market, it also shows that there are various ways of tackling the challenges associated with Pillar 2.

### **What does that mean for Baloise?**

We will continue to offer our customers the best solution to suit their needs. For us, that means allowing them to choose which risks they would prefer to bear themselves. Over the next few years, we will have to focus on ensuring that our range of solutions remains fit for the future. There is no doubt that this is somewhat more of a challenge in the comprehensive insurance segment at the moment. That also explains why we were more restrictive in terms of accepting new customers than we were in previous years. But like I said: we want our customers to be able to choose. Regardless of whether they opt for the comprehensive insurance model or a semi-autonomous approach, we will continue to offer them the high quality that they have become accustomed to.

### **What can Baloise Insurance's customers expect over the next few years?**

We will be making it as straightforward as possible for our customers to organise occupational pensions for their approximately 160 000 employees via our collective foundations. This will call for streamlined processes, communication using language that is easy to understand and close support in all matters relating to occupational pensions, but obviously in other matters, too. Customers are, and will remain, our top priority.

### **Patric Olivier Zbinden, how satisfied are you with 2018?**

We achieved a solid result of CHF 49.9 million. At the same time, 92.4% of our total income will benefit our insured persons in the form of interest on their retirement assets and stronger provisions. We have a solid position and we are well equipped to tackle the challenges that lie ahead. Interest on retirement assets at a total rate of 1.00% allows our customers

to participate in our results. The solid return of around 2.00% after investment management costs in what was a difficult investment year bears testimony to our expertise. All in all, we believe that we generated a solid result in an extremely challenging environment.

### **What do you make of the political situation?**

On the basis of the current statutory framework, funds are still being reallocated from active employees to the pension recipients. This meant that we had to set up reserves in excess of CHF 150 million in 2018 alone, i.e. around CHF 1000 per insured person. This wasn't how Pillar 2 was originally intended to work when the idea was conceived – and it's still not actually how the system is supposed to work. More has to be done again to make occupational pensions in Switzerland better equipped for the future and to boost their acceptance as a result. Although our policymakers are working on finding a solution, it is proving to be very difficult, particularly now that the Retirement Provision 2020 reform has been rejected.

### **Baloise also offers semi-autonomous solutions. For example there is the Perspectiva product line, which will soon be celebrating its fifth birthday. How pleased are you with how things have developed?**

The success story of the semi-autonomous Perspectiva Collective Foundation continues. It is growing strongly and significantly outperforming the market. Currently, we have more than 1700 new affiliations and an investment volume of more than CHF 600 million. We view this as a strong indicator that semi-autonomous pension solutions are also becoming increasingly attractive to smaller companies.



### **Patric Olivier Zbinden**

Head of Product Management Corporate Clients  
Member of the Executive Committee

### **Thomas Schöb**

Head of Product Management Group Life  
Member of Senior Management

## Income statement

All figures are stated in CHF 000s

	2018	2017	Δ absolute	Δ in %
<b>Income</b>	<b>2 699 742</b>	<b>2 889 759</b>	<b>-190 017</b>	<b>-7%</b>
Gross written premiums	2 331 736	2 500 218	-168 483	-7%
Savings premiums	2 045 559	2 205 004	-159 445	-7%
Retirement credits	877 099	889 400	-12 300	-1%
Individual deposits due to commencement of employment, purchase, promotion of home ownership or divorce	1 016 831	954 627	62 203	7%
Retirement assets transferred due to contract acquisitions	67 337	274 504	-207 167	-75%
Deposits for retirement and survivors' pensions	28 345	34 872	-6 526	-19%
Deposits for disabled person's pensions and disabled person's children's pensions	8 532	8 902	-370	-4%
Deposits for portable benefit policies	47 414	42 699	4 715	11%
Risk premiums	222 399	228 384	-5 984	-3%
Cost premiums	63 778	66 831	-3 053	-5%
Net investment income	366 448	385 616	-19 168	-5%
Gross investment income	469 626	422 436	47 190	11%
Liquid funds	-1 262	-970	-292	30%
Bonds	184 454	204 554	-20 101	-10%
Properties	125 247	119 780	5 466	5%
Mortgages	41 630	43 989	-2 359	-5%
Other investments	119 557	55 081	64 476	117%
Gains or losses on disposals	124 895	100 083	24 812	25%
Balance of write-downs and write-ups	-88 857	-31 167	-57 690	185%
Gains or losses on currency exchange	-68 013	-44 431	-23 582	53%
Interest expenses	21	542	-520	-96%
Asset management costs	-71 224	-61 846	-9 378	15%
Miscellaneous income	2 505	1 586	919	58%
Gains or losses from reinsurance	-947	2 339	-3 286	-140%





All figures are stated in CHF 000s

	2018	2017	Δ absolute	Δ in %
<b>Expenses</b>	<b>2 699 742</b>	<b>2 889 759</b>	<b>-190 017</b>	<b>-7%</b>
Insurance benefits	2 360 268	2 411 660	-51 392	-2%
Retirement benefits	441 154	423 893	17 262	4%
Pension benefits	207 476	197 093	10 383	5%
Lump-sum benefits	233 678	226 800	6 879	3%
Benefit payments for death and disability	172 952	160 511	12 441	8%
Pension benefits	127 035	126 359	676	1%
Lump-sum benefits	45 918	34 153	11 765	34%
Individual lump-sum benefits (portable benefit, promotion of home ownership, divorce, portable benefits policy)	1 159 807	1 147 582	12 226	1%
Surrender values as a result of contract cancellations	571 274	664 479	-93 205	-14%
Costs of processing benefit claims	15 080	15 195	-115	-1%
Change in technical provisions	143 048	270 177	-127 129	-47%
Retirement assets	-137 761	52 124	-189 885	-364%
Provision for future conversion rate losses	33 700	-110 200	143 900	-131%
Actuarial reserves for current retirement and survivors' pensions	168 932	192 415	-23 483	-12%
Actuarial reserves for current disabled person's pensions and disabled person's children's pensions	7 386	-2 741	10 128	-369%
Actuarial reserves for portable benefits policies	602	-9 104	9 706	-107%
Actuarial reserves for other forms of cover	12 860	14 932	-2 072	-14%
Strengthening of actuarial reserves for pension actuarial reserves and portable benefits policies	99 500	120 700	-21 200	-18%
Provisions for reported but not settled claims and incurred but not reported claims (RBNS and IBNR)	-47 700	18 100	-65 800	-364%
Provisions for fluctuations in value and interest rate guarantees	68 800	76 700	-7 900	-10%
Inflation provisions <sup>1</sup>	-99 250	349	-99 599	-28554%
Other technical provisions	35 979	-83 098	119 077	-143%
Allocation to the surplus fund	70 000	65 000	5 000	8%
Change in provision for unearned premiums	0	0	0	
Acquisition and administration costs	73 212	77 158	-3 945	-5%
Miscellaneous expenses	3 355	7 478	-4 123	-55%
Operating profit	49 858	58 286	-8 428	-14%

<sup>1</sup> Part of the provisions for inflation risks was reversed in 2018. 100% of the proceeds benefited the insured persons by being used to strengthen the provisions for conversion rate losses and longevity and allocated to the surplus fund.

## Balance sheet

The assets side of the balance sheet shows the origin, while the liabilities side shows the use of capital.

All figures are stated in CHF 000s

	2018	2017	Δ absolute	Δ in %
<b>Assets</b>	<b>18 826 140</b>	<b>19 059 088</b>	<b>-232 948</b>	<b>-1%</b>
Investments	18 604 081	18 720 409	-116 328	-1%
Liquid funds	468 925	368 278	100 647	27%
Bonds	10 437 660	10 548 359	-110 699	-1%
CHF	6 955 085	6 992 191	-37 106	-1%
Foreign currencies	3 482 575	3 556 168	-73 593	-2%
Properties	2 820 138	2 755 862	64 276	2%
Mortgages	2 599 035	2 585 013	14 021	1%
Equities and shareholding	453 310	797 638	-344 328	-43%
Alternative investments	237 200	222 311	14 889	7%
Units in investment funds	101 019	86 647	14 372	17%
Net assets held as derivative financial instruments	72 814	956	71 858	7513%
Other investments	1 413 980	1 355 345	58 635	4%
Obligations from derivative financial instruments	1 171	26 851	-25 680	-96%
Other assets	209 946	297 379	-87 433	-29%
Outward reinsurance	10 942	14 449	-3 507	-24%



All figures are stated in CHF 000s

	2018	2017	Δ absolute	Δ in %
<b>Liabilities</b>	<b>18 826 140</b>	<b>19 059 088</b>	<b>-232 948</b>	<b>-1%</b>
Technical provisions	17 756 072	17 613 024	143 048	1%
Retirement assets	11 203 792	11 341 553	-137 761	-1%
Compulsory scheme	5 939 143	6 056 696	-117 552	-2%
Non-compulsory scheme	5 264 648	5 284 857	-20 209	-0%
Provision for future pension conversion rate losses	359 000	325 300	33 700	10%
Compulsory scheme	317 500	299 404	18 096	6%
Non-compulsory scheme	41 500	25 896	15 604	60%
Actuarial reserves for current retirement and survivors' pensions	2 830 945	2 662 014	168 932	6%
Compulsory scheme	1 375 661	1 275 322	100 339	8%
Non-compulsory scheme	1 455 285	1 386 692	68 593	5%
Actuarial reserves for current disabled person's pensions and disabled person's children's pensions	730 010	722 624	7 386	1%
Compulsory scheme	427 072	427 263	-191	-0%
Non-compulsory scheme	302 938	295 361	7 577	3%
Actuarial reserves for portable benefits policies	373 619	353 017	20 602	6%
Actuarial reserves for other forms of cover	389 129	376 269	12 860	3%
Strengthening of pension actuarial reserves	842 700	743 200	99 500	13%
Provisions for reported but not settled claims and incurred but not reported claims (RBNS and IBNR)	447 700	495 400	-47 700	-10%
Provisions for interest rate guarantees, claims fluctuations and fluctuations in value	60 000	37 000	23 000	62%
Other technical provisions	364 602	302 823	61 779	20%
Inflation provisions	154 574	253 825	-99 250	-39%
As at beginning of the year	253 825	253 476	349	0%
Gross inflation premiums	1 617	1 837	-220	-12%
Expenses	-1 078	-1 225	147	-12%
Expenses for inflation-related increases of risk pensions	-189	-264	74	-28%
Reversal for strengthening measures pursuant to Article 149(f)(a) <sup>2</sup>	-49 600	0	-49 600	
Reversal in favour of surplus fund	-50 000	0	-50 000	
Setting up of additional inflation provisions	0	0	0	
Surplus fund	153 967	122 041	31 926	26%
As at beginning of the year	122 041	105 035	17 006	16%
Distribution to pension funds (surplus allocation)	-38 074	-47 994	9 919	-21%
Participation in surplus for current year (surplus allocation)	70 000	65 000	5 000	8%
Withdrawal to cover operating loss	0	0	0	
Valuation correction	0	0	0	
Provision for unearned premiums	0	0	0	
Credited surplus dividends	18 746	20 184	-1 438	-7%
Other liabilities	897 355	1 303 838	-406 483	-31%

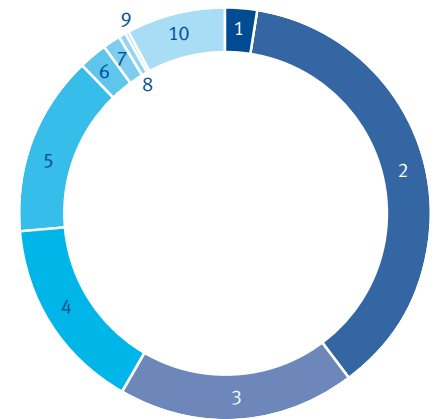
<sup>2</sup> Part of the provisions for inflation risks was reversed in 2018. 100% of the proceeds benefited the insured persons by being used to strengthen the provisions for conversion rate losses and longevity and allocated to the surplus fund.



## The occupational pension investment portfolio in detail

All figures are stated in CHF 000s

	2018	2017	2018	2017
Investments	18 604 081	18 720 409	100.0%	100.0%
1. Liquid funds	468 925	368 278	2.5%	2.0%
2. CHF bonds	6 955 085	6 992 191	37.4%	37.4%
3. Bonds in foreign currencies	3 482 575	3 556 168	18.7%	19.0%
4. Properties	2 820 138	2 755 862	15.2%	14.7%
5. Mortgages	2 599 035	2 585 013	14.0%	13.8%
6. Equities and shareholding	453 310	797 638	2.4%	4.3%
7. Alternative investments	237 200	222 311	1.3%	1.2%
8. Units in investment funds	101 019	86 647	0.5%	0.5%
9. Net assets held as derivative financial instruments	72 814	956	0.4%	0.0%
10. Other investments	1 413 980	1 355 345	7.6%	7.2%



### Investments: a solid result in a volatile stock market environment

2018 was characterised by a volatile market development. The stock markets witnessed a marked correction back in February on the back of nascent inflationary fears in the US. The elections in Italy, Brexit and the trade war between the US and China were responsible for recurring waves of uncertainty on the markets. After 2017 had brought a synchronised economic upswing, the global economy lost momentum in 2018, with growth impetus moving in vastly different directions. This had a clear impact as the year started to draw to a close in the form of significant corrections on the stock markets. The Swiss Market Index lost more than 10% in 2018.

The prevailing low interest rate environment meant there was only limited appeal in the reinvestment of maturing bonds denominated in Swiss francs. Reinvestment was avoided for the most part, with funds being reallocated to bonds denominated in euros instead, which present more attractive returns even after currency hedging. Efforts to increase investments in properties and mortgages were driven forward in order to stabilise current income. Due to the global economic slow-down and given expectations of a volatile market environment, the equity exposure was reduced by around 40% in mid-November.

In this more volatile market environment, we achieved a solid return on book value of 1.96% (net), which is slightly below that of the previous year (2.09%). The positive effect resulting from the disposal of some properties generated realised gains of approximately CHF 46 million. These more than offset the impact of much lower realised gains on equities due to the disappointing market performance in 2018. The marked correction on the stock markets at the end of the year pushed net impairment losses up significantly in a year-on-year comparison.

This means that, at 0.54%, the performance as at market value lies below the return on book value. This can be explained by the decline in the valuation reserves, which is driven to a considerable degree by spread and stock market development.

## Explanations of the business processes and proof of compliance with the minimum quota

The occupational pension business can be split into three processes.

The **savings process** comprises the accumulation of retirement assets, the conversion of retirement assets into retirement pensions and the settlement of the related retirement pensions. Here, the (net) investment income is offset against the expenses relating to the technical interest accrual (guaranteed interest rates) and the costs of settling current retirement and pensioner's children's pensions. The costs for investment management are shown with the investments.

The **risk process** comprises the payment and settlement of death and disability benefits (in the form of lump-sum and pension payments) and of anticipated entitlements associated with current retirement pensions giving rise to survivors' pensions. Here, the risk premiums paid are offset against the costs for insurance benefits, in particular for the formation of the actuarial reserves for new disability and survivors' pensions. The costs for the processing of benefits are mainly assigned to the risk process.

The **cost process** comprises the costs for administration and sales relating to the provision of insurance in the form of occupational pensions. Here, the collected cost premiums are offset against the administrative costs incurred.

All figures are stated in CHF 000s

	2018	2017	Δ absolute	Δ in %
Total income components	652 625	680 830	-28 205	-4 %
Savings process (investment income)	366 448	385 616	-19 168	-5 %
Risk process (risk premiums)	222 399	228 384	-5 984	-3 %
Cost process (cost premiums)	63 778	66 831	-3 053	-5 %
Total expenses	-429 767	-475 345	45 577	-10 %
Savings process (primarily technical interest accrual)	-254 475	-260 124	5 650	-2 %
Risk process (primarily death and disability benefits)	-105 893	-135 816	29 922	-22 %
Cost process (primarily administrative costs)	-69 399	-79 404	10 005	-13 %
<b>Gross operating profit</b>	<b>222 858</b>	<b>205 486</b>	<b>17 372</b>	<b>8 %</b>
Setting up (-) and (+) reversal of technical provisions	-103 000	-82 200	-20 800	25 %
In the savings process	-155 400	-87 200	-68 200	78 %
Longevity risk	-102 500	-120 700	18 200	-15 %
Shortfall arising from pension conversions	-33 700	110 200	-143 900	-131 %
Interest rate guarantees	-68 800	-76 700	7 900	-10 %
Reversal of inflation provisions for strengthening measures	49 600	0	49 600	
Fluctuations in investments	0	0	0	
In the risk process	2 400	5 000	-2 600	-52 %
Reported but not settled claims	0	0	0	
Incurred but not reported claims	2 400	5 000	-2 600	-52 %
Claims fluctuations	0	0	0	
Tariff changes and tariff restructuring	0	0	0	
Reversal of inflation provisions for strengthening measures	0	0	0	
Setting up of additional inflation provisions	0	0	0	
Reversal of inflation provisions in favour of the surplus fund	50 000	0	50 000	
Costs of additional risk capital acquired	0	0	0	
Allocation to the surplus fund	-70 000	-65 000	-5 000	8 %
<b>Operating profit</b>	<b>49 858</b>	<b>58 286</b>	<b>-8 428</b>	<b>-14 %</b>
<b>Distribution ratio</b>	<b>92.4 %</b>	<b>91.4 %</b>		

## Business subject to the minimum quota

The legal requirements of the minimum quota stipulate that at least 90% of the income from the three business processes (the savings, risk and cost process) must benefit the insured persons in order to ensure that they participate adequately in the profits of the insurer. This income is accrued by the in-

sured persons in the form of insurance benefits, strengthening of reserves and allocations to the surplus fund. What is known as the distribution ratio must therefore amount to no less than 90% in the business subject to the minimum quota.

All figures are stated in CHF 000s

	2018	2017	Δ absolute	Δ in %
<b>Total income components</b>	<b>525 188</b>	<b>552 459</b>	<b>-27 271</b>	<b>-5 %</b>
Savings process (investment income)	306 849	323 439	-16 591	-5 %
Risk process (risk premiums)	162 561	169 365	-6 804	-4 %
Cost process (cost premiums)	55 779	59 655	-3 876	-6 %
<b>Total expenses</b>	<b>-332 179</b>	<b>-384 913</b>	<b>52 734</b>	<b>-14 %</b>
Savings process (primarily technical interest accrual)	-208 811	-217 471	8 660	-4 %
Risk process (primarily death and disability benefits)	-66 120	-103 346	37 226	-36 %
Cost process (primarily administrative costs)	-57 248	-64 096	6 848	-11 %
<b>Gross operating profit</b>	<b>193 009</b>	<b>167 546</b>	<b>25 463</b>	<b>15 %</b>
<b>Setting up (-) and (+) reversal of technical provisions</b>	<b>-116 300</b>	<b>-90 700</b>	<b>-25 600</b>	<b>28 %</b>
<b>In the savings process</b>	<b>-141 100</b>	<b>-93 500</b>	<b>-47 600</b>	<b>51 %</b>
Longevity risk	-91 100	-115 500	24 400	-21 %
Shortfall arising from pension conversions	-28 800	98 600	-127 400	-129 %
Interest rate guarantees	-44 700	-76 600	31 900	-42 %
Reversal of inflation provisions for strengthening measures	23 500	0	23 500	
Fluctuations in investments	0	0	0	
<b>In the risk process</b>	<b>4 800</b>	<b>2 800</b>	<b>2 000</b>	<b>71 %</b>
Reported but not settled claims	0	0	0	
Incurred but not reported claims	4 800	2 800	2 000	71 %
Claims fluctuations	0	0	0	
Tariff changes and tariff restructuring	0	0	0	
Reversal of inflation provisions for strengthening measures	0	0	0	
Setting up of additional inflation provisions	0	0	0	
Reversal of inflation provisions in favour of the surplus fund	20 000	0	20 000	
Costs of additional risk capital acquired	0	0	0	
Allocation to the surplus fund	-40 000	-40 000	0	-0 %
<b>Operating profit</b>	<b>36 709</b>	<b>36 846</b>	<b>-137</b>	<b>-0 %</b>
<b>Distribution ratio</b>	<b>93.0 %</b>	<b>93.3 %</b>		
<b>Minimum quota</b>	<b>90 %</b>	<b>90 %</b>		

## Business not subject to the minimum quota

Insurance contracts for which separate income and expenditure accounts have been agreed are excluded from the minimum quota. Participation in profits in the form of surpluses is based on the claims experience of each individual contract.

Typically, this relates to insurance solutions for semi-autonomous pension funds and contracts that form part of international insurance programmes.

All figures are stated in CHF 000s

	2018	2017	Δ absolute	Δ in %
Total income components	127 437	128 371	-934	-1%
Savings process (investment income)	59 600	62 177	-2 577	-4%
Risk process (risk premiums)	59 839	59 018	820	1%
Cost process (cost premiums)	7 999	7 176	823	11%
Total expenses	-97 588	-90 431	-7 157	8%
Savings process (primarily technical interest accrual)	-45 664	-42 654	-3 010	7%
Risk process (primarily death and disability benefits)	-39 773	-32 469	-7 304	22%
Cost process (primarily administrative costs)	-12 151	-15 308	3 157	-21%
<b>Gross operating profit</b>	<b>29 849</b>	<b>37 940</b>	<b>-8 091</b>	<b>-21%</b>
Setting up (-) and (+) reversal of technical provisions	13 300	8 500	4 800	56%
In the savings process	-14 300	6 300	-20 600	-327%
Longevity risk	-11 400	-5 200	-6 200	119%
Shortfall arising from pension conversions	-4 900	11 600	-16 500	-142%
Interest rate guarantees	-24 100	-100	-24 000	24000%
Reversal of inflation provisions for strengthening measures	26 100	0	26 100	
Fluctuations in investments	0	0	0	
In the risk process	-2 400	2 200	-4 600	-209%
Reported but not settled claims	0	0	0	
Incurred but not reported claims	-2 400	2 200	-4 600	-209%
Claims fluctuations	0	0	0	
Tariff changes and tariff restructuring	0	0	0	
Reversal of inflation provisions for strengthening measures	0	0	0	
Setting up of additional inflation provisions	0	0	0	
Reversal of inflation provisions in favour of the surplus fund	30 000	0	30 000	
Costs of additional risk capital acquired			0	
Allocation to the surplus fund	-30 000	-25 000	-5 000	20%
<b>Operating profit</b>	<b>13 149</b>	<b>21 440</b>	<b>-8 291</b>	<b>-39%</b>
<b>Distribution ratio</b>	<b>89.7%</b>	<b>83.3%</b>		

## Actuarial balance sheet items and other key figures

### Surplus fund

The surplus fund is an actuarial balance sheet item that shows the surplus dividends to which the policyholders are entitled. If the operating statement result permits, funds can be allocated to the surplus fund. The surplus dividends are

withdrawn from this in the following year and distributed to the policyholders.

All figures are stated in CHF 000s

	2018	2017	Δ absolute	Δ in %
<b>Surplus fund</b>	<b>153 967</b>	<b>122 042</b>	<b>31 926</b>	<b>26 %</b>
Tied part	49 500	39 700	9 800	25 %
Unallocated part	104 467	82 342	22 126	27 %
	2018	2017	Δ absolute	Δ in %
<b>Surplus fund subject to the minimum quota</b>	<b>61 811</b>	<b>41 472</b>	<b>20 339</b>	<b>49 %</b>
<b>Surplus fund not subject to the minimum quota</b>	<b>92 156</b>	<b>80 570</b>	<b>11 586</b>	<b>14 %</b>

### Net investment income

	2018	2017	Δ absolute	Δ in %
<b>Net investment income</b>	<b>366 448</b>	<b>385 616</b>	<b>-19 168</b>	<b>-5 %</b>
Gross investment income	437 672	447 462	-9 789	-2 %
Asset management costs	-71 224	-61 846	-9 378	15 %

### Investments and hidden reserves

	2018	2017	Δ absolute	Δ in %
<b>Book value of investments</b>	<b>18 604 081</b>	<b>18 720 410</b>	<b>-116 328</b>	<b>-1 %</b>
<b>Market value of investments</b>	<b>20 250 503</b>	<b>20 622 149</b>	<b>-371 646</b>	<b>-2 %</b>
<b>Hidden reserves</b>	<b>1 646 422</b>	<b>1 901 739</b>	<b>-255 317</b>	<b>-13 %</b>

### Market value of investments

	2018	2017	Δ absolute	Δ in %
<b>Market value of investments</b>	<b>20 250 503</b>	<b>20 622 148</b>	<b>-371 645</b>	<b>-2 %</b>
Direct investments	19 322 209	19 707 996	-385 787	-2 %
Single-tier and multi-tier collective investment schemes	928 294	914 152	14 142	2 %
Non-cost-transparent investments	0	0	0	

	2018	2017	Δ absolute	Δ in %
<b>Market value of investments (percentage)</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>0.00</b>	<b>0 %</b>
Direct investments	95.4 %	95.6 %	-0.00	-0 %
Single-tier and multi-tier collective investment schemes	4.6 %	4.4 %	0.00	3 %
Non-cost-transparent investments	0.0 %	0.0 %	0.00	



### Return on book value and performance as at market value

All figures are stated in CHF 000s

	2018	2017	Δ absolute	Δ in %
Net return on book value	1.96 %	2.09 %	-0.12 %	-6 %
Net performance as at market value	0.54 %	1.73 %	-1.19 %	-69 %
Gross return on book value	2.35 %	2.42 %	-0.08 %	-3 %
Gross performance as at market value	0.89 %	2.03 %	-1.14 %	-56 %

### Interest and conversion rates

	2018	2017	Δ absolute	Δ in %
Technical interest rate for the valuation of the pension obligations	0.86 %	1.30 %	-0.44 %	-34 %
Interest rate for the interest on non-compulsory retirement assets	0.25 %	0.50 %	-0.25 %	-50 %
Pension conversion rate in the non-compulsory scheme for men at retirement age of 65 in a comprehensive insurance scheme	5.12 %	5.36 %	-0.23 %	-4 %
Pension conversion rate in the non-compulsory scheme for women at retirement age of 64 in a comprehensive insurance scheme	4.98 %	5.21 %	-0.23 %	-4 %

### Number of insured persons

	2018	2017	Δ absolute	Δ in %
Number of insured persons as at 31.12.	202 047	197 330	4 717	2 %
Number of active insured persons	156 682	153 347	3 335	2 %
Number of persons with comprehensive insurance	120 440	126 970	-6 530	-5 %
Number of other active insured persons	36 242	26 377	9 865	37 %
Number of pension recipients	23 435	21 215	2 220	10 %
Number of portable benefits policies	21 930	22 768	-838	-4 %

### Cost premiums

Cost premiums by cost units	2018	2017	Δ absolute	Δ in %
Total cost premiums	63 778	66 831	-3 053	-5 %
Cost premiums of active insured persons	62 675	64 157	-1 482	-2 %
Cost premiums of portable benefits policies	1 102	1 144	-42	-4 %
Other cost premiums	0	1 530	-1 530	-100 %

Cost premiums by cost units	2018	2017	Δ absolute	Δ in %
Total cost premiums	316	339	-23	-7 %
Cost premiums of active insured persons	400	418	-18	-4 %
Cost premiums of portable benefits policies	50	50	0	0 %

## Operating expenses

All figures are stated in CHF 000s

Operating expenses by cost units	2018	2017	Δ absolute	Δ in %
Total operating expenses	83 629	91 017	-7 388	-8%
Operating expenses for active insured persons	71 479	78 767	-7 288	-9%
Operating expenses for pension recipients	10 000	10 000	0	0%
Operating expenses for portable benefits policies	2 150	2 250	-100	-4%

Operating expenses by cost units (per capita)	2018	2017	Δ absolute	Δ in %
Total operating expenses	414	461	-47	-10%
Operating expenses for active insured persons	456	514	-57	-11%
Operating expenses for pension recipients	427	471	-45	-9%
Operating expenses for portable benefits policies	98	99	-1	-1%

Operating expenses by cost centres	2018	2017	Δ absolute	Δ in %
Total operating expenses	83 629	91 017	-7 388	-8%
Acquisition and administration costs	73 212	77 158	-3 945	-5%
Acquisition costs	12 884	17 240	-4 356	-25%
to brokers and agents	12 592	13 105	-513	-4%
to own field sales staff	269	4 092	-3 823	-93%
others	22	43	-20	-47%
Costs for marketing and advertising	3 672	3 697	-25	-1%
Expenses for general administration	56 656	56 221	435	1%
Costs of processing benefit claims	15 080	15 195	-115	-1%
Reinsurers' share of operating expenses	-4 664	-1 336	-3 327	249%

## Asset management costs

	2018	2017	Δ absolute	Δ in %
Asset management costs (net pursuant to Baloise Insurance operating statement BV)	71 224	61 846	9 378	15%
Asset management costs (net pursuant to OAK scheme)	104 517	92 114	12 403	13%
TER costs	91 381	89 356	2 025	2%
Direct investments	68 876	64 188	4 689	7%
Single-tier and multi-tier investments (cost indicator)	22 505	25 168	-2 663	-11%
TTC costs <sup>3</sup>	12 494	2 109	10 385	493%
Suppl. costs	642	649	-7	-1%
Capitalised costs	-774	-1 279	505	-40%
Costs of property maintenance and upkeep	-32 519	-28 989	-3 530	12%

TER costs: Costs of administration and management

TTC costs: Transaction costs

Suppl. costs: Supplementary costs not attributable to individual investments

<sup>3</sup>The increased TTC costs are attributable to profit taxes resulting from the disposal of investment property. See: **Investments: a solid result in a volatile stock market environment.**

**Baloise Life Ltd**

Aeschengraben 21, P.O. Box

CH-4002 Basel

Customer Service 00800 24 800 800

customerservice@baloise.ch

[www.baloise.ch](http://www.baloise.ch)