

Baloise Group

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# HALF-YEAR REPORT

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# 2019



**Baloise Group**  
Half-Year Report 2019

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# Baloise key figures

	30.6.2018	31.12.2018	30.6.2019	Change (%)
CHF million				
<b>Business volume</b>				versus 30.6.18
Gross premiums written (non-life)	2,262.3	3,405.9	2,263.6	0.1
Gross premiums written (life)	2,200.8	3,360.3	2,869.8	30.4
Sub-total of IFRS gross premiums written <sup>1</sup>	4,463.1	6,766.2	5,133.4	15.0
Investment-type premiums	1,005.2	1,912.1	880.7	-12.4
<b>Total business volume</b>	<b>5,468.3</b>	<b>8,678.2</b>	<b>6,014.1</b>	<b>10.0</b>
<b>Operating profit (loss)</b>				
versus 30.6.18				
Consolidated profit / loss for the period before borrowing costs and taxes				
Non-life	145.1	371.7	226.1	55.8
Life <sup>2</sup>	193.6	333.2	106.3	-45.1
Asset Management & Banking	42.0	92.1	42.6	1.4
Other activities	-19.6	-59.4	-17.0	-13.3
Consolidated profit for the period	269.3	522.9	393.6	46.2
Profit (attributable to the shareholders)	269.7	523.2	395.0	46.5
<b>Balance sheet</b>				
versus 31.12.18				
Technical reserves	48,377.9	46,575.2	48,334.4	3.8
Equity	6,153.2	6,008.2	6,591.9	9.7
Per cent				
<b>Ratios (per cent)</b>				
Gross combined ratio (non-life)	92.7	89.2	87.7	
Net combined ratio (non-life)	94.1	91.7	87.4	
<b>Key figures on the Company's shares</b>				
versus 31.12.18 <sup>3</sup>				
Shares issued (units)	48,800,000	48,800,000	48,800,000	0.0
Basic earnings per share (CHF)	5.71	11.14	8.50	48.9
Diluted earnings per share (CHF)	5.71	11.12	8.49	48.7
Equity per share <sup>4</sup> (CHF)	129.1	127.1	141.9	11.6
Closing price (CHF)	144.30	135.40	172.80	27.6
Market capitalisation (CHF million)	7,041.8	6,607.5	8,432.6	27.6

1 Premiums written and policy fees (gross).

2 Of which deferred gains / losses from other operating segments:

30 June 2018 CHF -2.2 million / 31 December 2018 CHF 10.2 million / 30 June 2019 CHF -0.9 million.

3 Changes in earnings per share compared with 30 June 2018.

4 Calculation is based on the profit for the period attributable to shareholders and the equity attributable to shareholders.



Dr Andreas Burckhardt, Chairman of the Board of Directors (right), and Gert De Winter, Group CEO (left), in front of the construction site for Baloise Park, which will open in summer 2020.

## DEAR SHAREHOLDERS,

Baloise's business proved to be in good shape in the first half of the year, generating a profit of CHF 395.0 million (H1 2018: CHF 269.7 million) that was boosted by accounting effects arising from Switzerland's cantonal tax reform. Reversals of tax provisions as a result of this reform had a one-off positive impact of CHF 128 million on profit for the period. In the non-life business, the net combined ratio for the first half of the year was an excellent 87.4 per cent (H1 2018: 94.1 per cent). Due to the strengthening of reserves, EBIT in the life business, at CHF 106.3 million, fell short of the figure for the first half of 2018, which had been positively influenced by the release of reserves. Changes in the Swiss market for providers of comprehensive insurance meant that the life business recorded exceptionally high growth in IFRS premiums, which rose by 30.4 per cent year on year to CHF 2,869.8 million.

The acquisition of Belgian insurer Fidea NV in the first half of 2019 was primarily intended to strengthen Baloise's position in the attractive non-life business in Belgium. The company now has a market share of 8.5 per cent and has thus closed the gap to the top four non-life insurance companies in Belgium. This expansion of Baloise's activities in the attractive Belgian market now means that it has two strong pillars (Belgium and Switzerland) in the non-life insurance sector. In Germany, Baloise launched a round of investment in order to build on its commitment to digital insurer FRIDAY. Seven Ventures and the German Media Pool became additional shareholders in FRIDAY as part of a media for equity deal. FRIDAY recently began to offer contents insurance alongside its existing car insurance offering.

As well as strengthening its core business, Baloise is continually expanding its portfolio of services along the traditional insurance value chain. Under its Simply Safe strategy, Baloise is focusing its investment and development efforts on building up what are known as service ecosystems. These platforms present an efficient means of providing our customers a set of related services. The offerings are positioned upstream or downstream of the insurance product itself and so allow us to cover all our customers' requirements in a particular area from a single source. As a group, Baloise is focusing mainly on the "Home" and "Mobility" ecosystems.

**"We are continually expanding our portfolio of services along the traditional insurance value chain."**

Switzerland is the main focus of our activities for the "Home" ecosystem. Going forward, however, we will be able to use the experience that we gain there across the Group, even if the individual initiatives will have to be tailored to the relevant market and anchored at local level. Two years ago, we laid the foundation for this ecosystem by acquiring the digital home-moving service MOVU in Switzerland, and have been refining and expanding its offering ever since. Thanks to equity investments in Bubble Box and Devis.ch, MOVU is now evolving into a platform for "home services". The German-Swiss start-up Bubble Box offers a laundry- and textile-care service via its online platform. The start-up Devis.ch, based in Western Switzerland, is a marketplace where consumers can solicit bids for trade and cleaning services for inside and outside the home.

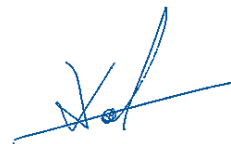
In Belgium, the "Mobility" ecosystem was launched when the Mobly platform was founded. Pan-European breakdown cover that can be taken out on a day-by-day basis was one of the services added to Mobly's portfolio in the first half of 2019. The services are available via the MoblyGo app, which already has more than 30,000 users. The medium-term goal is to develop a Group-wide platform providing "mobility as a service". Last year, Baloise acquired a stake in Carhelper, a Swiss platform for car workshop services. This is a prime example of how related service offerings can be brought together on a single platform. Other possibilities include fleet management services, collaboration with car manufacturers and the integration of public transport.

All this means that Baloise is still on track to successfully implement its Simply Safe strategy and continue driving forward its digital projects.

Basel, August 2019



Dr Andreas Burckhardt  
Chairman of the  
Board of Directors



Gert De Winter  
Group CEO

# Baloise concludes the first half of 2019 with good results and strong momentum

## OVERVIEW OF OPERATING PERFORMANCE

In the first six months of 2019, Baloise generated profit of CHF 395.0 million for its shareholders (up by 46.5 per cent from CHF 269.7 million in H1 2018) and an excellent business volume of CHF 6,014.1 million (up by 10.0 per cent from CHF 5,468.3 million in H1 2018). Non-recurring effects had a positive impact on both of these figures. Tax reforms at cantonal level in Switzerland resulted in the reversal of deferred tax provisions under International Financial Reporting Standards (IFRS), which will have a positive one-off impact on earnings in an amount of CHF 127.7 million in the 2019 financial year. The volume of business should enjoy a one-off uplift of CHF 560 million as a result of a competitor withdrawing its comprehensive insurance products from the group life insurance segment.

Premium income in the non-life business advanced by 0.1 per cent to CHF 2,263.6 million in the reporting period. Profit before borrowing costs and taxes (EBIT) in the non-life business, which had been depressed by non-recurring effects in 2018, returned to normal and came to CHF 226.1 million. The excellent net combined ratio of 87.4 per cent in the non-life business was mainly attributable to a relatively low level of claims in the first half of the year. The ratio had been pushed up by 3 percentage points in 2018 as a result of reserves being created in respect of a German liability insurance portfolio. The profitability of the non-life business was encouraging across all national Baloise companies. Switzerland and Germany were the top performers with 82.6 per cent and 91.2 per cent respectively. For the 2019 financial year, Baloise is therefore aiming to achieve a combined ratio at the bottom end of the defined target range of 90 to 95 per cent.

The volume of premiums collected in the traditional life business increased by 30.4 per cent year on year to CHF 2,869.8 million. This was mainly attributable to the fact that a competitor in the Swiss group life business withdrew its comprehensive insurance products from the market. Earnings in the life insurance business fell to CHF 106.3 million (H1 2018: CHF 193.6 million) as reserves had to be strengthened due to the environment of low interest rates. In the first half of 2018, EBIT had also been boosted by the fact that some reserves in the Belgian life insurance business which were no longer required could be reversed and taken to income.

EBIT in the asset management and banking segment grew by 1.4 per cent to CHF 42.6 million (H1 2018: CHF 42.0 million) in the reporting period. Gains on investments achieved for insurance assets remained on a par with the prior-year figure at CHF 670.4 million (H1 2018: CHF 670.3 million). The net return on insurance assets stood at 1.2 per cent (H1 2018: 1.2 per cent).

Once again, Baloise presented a strong balance sheet. The company holds an A+ credit rating from Standard & Poor's. Due to lower interest rates and the resulting higher valuation of available-for-sale financial assets, equity increased to CHF 6,591.9 million (31 December 2018: CHF 6,008.2 million). The SST ratio as at 1 January 2019 was very strong, at 242 per cent.

## BUSINESS VOLUME 2019 (GROSS) BY STRATEGIC BUSINESS UNITS

Per cent

Switzerland	60.7
Germany	13.3
Belgium	15.4
Luxembourg	10.4



## PERFORMANCE AND TRENDS IN THE SEGMENTS

In the first six months of 2019, the volume of premiums earned by Baloise in the **non-life business** grew slightly. This increase can be attributed primarily to business in Belgium and Luxembourg. Net premium income in Switzerland fell slightly. The same was true for Germany, although the business there did grow by 2.0 per cent in local-currency terms. Baloise's consolidated non-life business advanced by 0.1 per cent (2.0 per cent in local currency) to CHF 2,263.6 million.

The excellent net combined ratio of 87.4 per cent for non-life business reflects the high profitability and quality in the non-life portfolio. Unlike last year, when the combined ratio had been adversely affected by the strengthening of reserves in the German run-off portfolio and severe winter storms (H1 2018: 94.1 per cent), Baloise benefited from a benign claims environment in the first half of 2019. EBIT in the business improved by 55.8 per cent to CHF 226.1 million in line with this normalisation (H1 2018: CHF 145.1 million).



The net combined ratio of all national Baloise companies was very good at the end of the reporting period. With a ratio of 82.6 per cent, the Swiss entity was by far the most profitable. The German business also performed well with an excellent net combined ratio of 91.2 per cent. The business in Luxembourg achieved a similar level of profitability (92.0 per cent).

#### COMBINED RATIO NET PERFORMANCE

Per cent, first half of the year

2019		87.4
2018		94.1
2017		89.7
2016		92.5
2015		92.3

EBIT in the **life business** came to CHF 106.3 million in the first half of 2019 (H1 2018: CHF 193.6 million). The previous year had been particularly strong for this business because the interest-rate environment was more stable in 2018. This meant that additional reserves in the Belgian business which were no longer required could be reversed and taken to income. The absence of this non-recurring effect and more challenging interest-rate conditions once again in 2019, which required the Company to strengthen reserves, led to a fall in EBIT.

The volume of premiums collected in the traditional life business increased significantly to CHF 2,869.8 million (up by CHF 669.0 million year on year). Of this CHF 669.0 million increase, around CHF 560 million was generated from customers won as a result of the withdrawal of a competitor from the business with comprehensive insurance solutions. Adjusted for this non-recurring effect, the premium volume in the traditional life business increased only slightly, in line with strategic targets (H1 2018: CHF 2,200.8). The modest rise was mainly attributable to growth in the Swiss portfolio.

The volume of premiums in the business with investment-type premiums was also down in comparison with the prior year, falling by 12.4 per cent to CHF 880.7 million (H1 2018: CHF 1,005.2 million). This decline was due to the overall market conditions for these products in Luxembourg.

The new business margin in the life business was solid at 34.2 per cent in the reporting period.

The **asset management and banking** segment achieved a healthy profit for the half-year period that was on a par with the prior year, generating EBIT of CHF 42.6 million (H1 2018: CHF 42.0 million). The most substantial profit contributions came from Baloise Bank and Baloise Asset Management.

After a volatile period in the equity markets at the end of 2018, January brought some respite. The renewed intensification of the trade dispute between the US and China in May 2019 caused another volatility flare-up in the markets. In light of weakening global economic growth, the leading central banks promised to take a more expansionary mon-

#### ASSET ALLOCATION IN INSURANCE<sup>1</sup>

	31.12.2018			30.6.2019		
	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	1,001.9	6,876.4	7,878.3	1,005.5	6,970.6	7,976.1
Equities	771.0	2,050.5	2,821.5	857.2	2,222.4	3,079.6
Alternative financial assets	325.6	828.1	1,153.6	346.6	878.5	1,225.1
Fixed-income securities	4,926.4	26,702.4	31,628.8	5,421.1	27,502.4	32,923.6
Mortgage assets	483.5	3,987.8	4,471.3	494.0	4,046.0	4,539.9
Policy loans and other loans	1,438.8	4,731.4	6,170.2	1,291.9	5,064.9	6,356.8
Derivative financial instruments	32.3	413.2	445.5	21.7	467.3	489.0
Cash and cash equivalents	408.9	1,022.8	1,431.7	264.6	592.6	857.2
<b>Total</b>	<b>9,388.5</b>	<b>46,612.6</b>	<b>56,001.1</b>	<b>9,702.6</b>	<b>47,744.7</b>	<b>57,447.3</b>

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

etary policy approach. This triggered steep falls in yields. Temporarily, yields on 10-year US Treasuries even dropped below the short-term money market rate and yields in Europe sank to new record lows. At the end of June, 10-year Swiss government bonds carried a yield of –0.53 per cent. This environment bolstered the appeal of equities. The Swiss stock market, as measured by the Swiss Market Index, gained 17.4 per cent over the first six months of 2019.

The gains achieved on the investment of insurance assets amounted to CHF 670.4 million and thus remained almost unchanged compared with the prior-year period (H1 2018: CHF 670.3 million). The interest-rate environment became more challenging once again in the reporting period. Current income fell below the prior-year level to CHF 615.0 million (H1 2018: CHF 677.1 million). This was a direct result of a reduction in equity exposure and a much smaller exposure to bonds denominated in US dollars, which led to a decline in income before currency hedging costs. At CHF 246.6 million, the gains recognised in the income statement were up by CHF 78.8 million compared with the first half of 2018. This was mainly attributable to slightly higher gains realised on bonds and greater increases in value in the property portfolio. Compared with the first six months of 2018, impairment losses went up by CHF 28.3 million to CHF 48.5 million. The currency-related losses of CHF –77.8 million were attributable to currency hedging costs and to currency effects arising on unhedged currency exposures. Thanks to systematic changes in the asset allocation, these losses have come down by CHF 13.0 million compared with the first half of 2018. The gains on **investments** achieved for insurance assets equated to a net return of 1.2 per cent, which was exactly the same as in the previous year (H1 2018: 1.2 per cent). Unrealised gains rose by nearly CHF 2 billion as a result of the significant fall in interest rates. The rate of return on insurance assets according to International Financial Reporting Standards (IFRS) – which includes unrealised net gains and losses on investments but excludes gains and losses on held-to-maturity debt instruments – rose by a substantial 3.5 percentage points compared with the previous year to 3.9 per cent.

## PERFORMANCE AND TRENDS IN THE REGIONAL MARKETS

### Switzerland

Basler Switzerland had a successful first half of 2019. EBIT rose by 8.6 per cent year on year to CHF 277.9 million (H1 2018: CHF 255.8 million), despite reserves being strengthened in the life business in light of more challenging interest-rate conditions. This growth was mainly driven by higher gains on investments compared with the previous year and a lower volume of claims in the non-life business. Total business volume was boosted by the life insurance business and grew by an impressive 22.1 per cent to CHF 3,649.7 million (H1 2018: CHF 2,990.0 million).

The Swiss business unit improved its net combined ratio even further (1 percentage point down from the prior-year level) to an excellent 82.6 per cent. The claims environment in Switzerland was very favourable in the first half of 2019. Total premium income in the **non-life business** fell by 1.2 per cent to CHF 1,042.3 million.

In the **life business**, the volume of IFRS premiums rose to CHF 2,556.4 million (H1 2018: CHF 1,891.3 million). The withdrawal of a competitor from the segment of comprehensive insurance services in the group life business created a non-recurring effect for Basler Switzerland that produced a sharp increase in single premiums by 116.6 per cent to CHF 1,190.3 million (H1 2018: CHF 549.5 million). Without the uplift from these new customers, the volume of premiums in the traditional life insurance business would have grown only modestly, due to the low-interest rate environment and the restrictive underwriting policy still in place as a result of these conditions. The small growth in the adjusted premium volume was attributable to an increase in premiums collected from existing customers.

The growth of the partially autonomous pension solution *Perspectiva* continued unabated as it remained in high demand in the small and medium-sized customer segment. The customer base of *Perspectiva* expanded significantly once again. At the end of the first half of 2019, the product counted 1,985 customers – a 48 per cent increase compared with the end of 2018. This means that around 9,300 policyholders now entrust their occupational pension assets – with an aggregate value of around CHF 660 million – to the *Perspectiva* collective foundation.

In addition to these strong results, the first half of 2019 was also a success in terms of further progress in the focused implementation of digitalisation and innovation initiatives under the Simply Safe strategy. Basler Switzerland continued to develop the “home” ecosystem through equity investments in Devis.ch, an online marketplace for tradespeople, and Bubble Box, a digital laundry and textile care start-up.

**Baloise Bank SoBa** (all figures reported according to local accounting standards) also generated solid results in the first half of 2019. Its net profit fell slightly year on year to CHF 12.6 million. The business model combining banking and insurance saw an encouraging trend in asset management mandates. Over the first six months of 2019, the number of mandates grew by more than 10 per cent to 2,366. This is a great success in the current environment of record highs in the stock markets, which proves that the combined positioning of this banking-and-insurance model with its strategic focus on provision for old age and wealth creation really speaks to the customers’ needs.

## Germany

The first half of 2019 confirmed the initial signs of recovery that had emerged in the 2018 financial year and Basler Germany continued on its upward trajectory. EBIT in the financial statements for the first half of 2019 came to CHF 11.9 million and thus exceeded the prior-year figure by CHF 8.3 million. The German **non-life business** performed particularly well. The segment achieved an excellent net combined ratio of 91.2 per cent in the reporting period (H1 2018: 96.4 per cent). This historically low ratio was mainly attributable to an extremely low volume of claims for Basler Germany in the first six months of 2019. The combined ratio of the German business for the reporting period was therefore well below the long-term target range of 96 to 98 per cent. The business mix in the non-life business developed according to plan: the retail customer business grew, while the proportion of business from industrial clients was reduced through systematic portfolio management.

The volume of IFRS gross premiums written in the non-life business fell by 1.5 per cent to CHF 507.3 million (H1 2018: CHF 515.3 million). Currency effects, which had been beneficial in 2018, now had an adverse impact in the first half of 2019. In local-currency terms, however, the non-life business of Basler Germany grew by 2.0 per cent.

The **life business** was hit by the same currency effects. Gross premiums in the traditional life insurance business fell by 2.2 per cent to CHF 188.9 million (H1 2018: CHF 193.1 million), although the business recorded premium growth of 1.3 per cent in local-currency terms. The new business mix in the life insurance segment remained positive with a very high proportion of risk products and products with investment-type premiums.

Overall, the volume of IFRS gross premiums fell by 1.7 per cent to CHF 696.2 million (H1 2018: CHF 708.4 million). The first half of the year saw not only a consolidation of the positive business trend but also the successful launch of several important modernisation and digitalisation initiatives. Examples include the launch of the strategic project for the modernisation of the non-life business with the introduction of Guidewire, the implementation of the online application process for life insurance sales partners and the implementation of the BiPro claims settlement interface for brokers. Another great achievement was that Basler Germany secured a spot for the third time in a row in the “excellence group” at the TOP SERVICE Deutschland awards. This means that Baloise has been rated one of Germany’s top 50 service providers across all industries.

## Belgium

Following an unusually strong first half-year in 2018, EBIT returned to normal in the reporting period and came to CHF 71.7 million (H1 2018: CHF 137.2 million). In the first six months of 2018, the Belgian business had benefited from a non-recurring effect, as reserves that had been added in the prior years on account of the low-interest-rate environment were no longer needed and were therefore reversed and taken to income. Gross premiums grew by a healthy 3.6 per cent to CHF 701.4 million in the reporting period (H1 2018: CHF 677.1 million). Both the non-life and the life business contributed to this increase.

Gross premiums in the **non-life business** came to CHF 619.3 million (H1 2018: CHF 598.6 million), a solid increase of 3.5 per cent in spite of negative currency effects. The claims environment in Belgium was less favourable in the first half of 2019. Damage caused by storm Eberhard and a higher number of large claims had a negative impact on the claims ratio. As a result, the net combined ratio dete-

riorated by 1.1 percentage points to 96.2 per cent (H1 2018: 95.1 per cent).

The performance of the **life business** was encouraging. Gross premiums written rose by 4.7 per cent to CHF 82.1 million (H1 2018: CHF 78.4 million). The volume of investment-type premiums remained on a par with the strong prior-year figure at CHF 223.3 million (H1 2018: CHF 224.8 million). Financial effects from the completion of the takeover of the Belgian insurance company Fidea NV in July 2019 will be recognised in the 2019 annual financial statements of Baloise Insurance Belgium. The acquisition of this business has strengthened the life and non-life business of Baloise in Belgium significantly and is proving to be a key source of earnings within the Group.

### Luxembourg

In Luxembourg, both the non-life business and the life insurance business grew in the first half of 2019. IFRS gross premiums in the non-life business went up by 4.7 per cent to CHF 85.0 million (H1 2018: CHF 81.2 million), while premiums in the traditional life insurance business grew by 11.7 per cent to CHF 41.9 million (H1 2018: CHF 37.5 million). In the reporting period, Baloise Assurances Luxembourg S.A. was able to further expand its network of brokers. The systematic implementation of the entity's strategy for small and medium-sized enterprises and the formation of new partnerships at a local level also contributed to the growth of the Luxembourg business. Investment-type premiums fell by 18.7 per cent because the current market environment is unfavourable for these products, but still came to CHF 501.2 million (H1 2018: CHF 616.7 million). This means that the Luxembourg business unit is now managing assets worth more than CHF 11 billion. Profitability in the non-life business remained very good with a net combined ratio of 92.0 per cent, although the expense ratio was negatively affected by higher personnel and IT expenses as a result of internal restructuring measures. This was the main cause for the year-on-year deterioration in the net combined ratio by 1.1 percentage points (H1 2018: 90.9 per cent).

### ASSESSMENT AND OUTLOOK

**“Baloise underpinned its excellent position with solid results at the end of the first half of 2019. The result was boosted by a one-off accounting effect related to tax, but the figures are still encouraging even after adjusting for this effect. The same is true for the volume of premiums in the life and non-life business. The outstanding profitability of the non-life business, which is reflected in a combined ratio of 87.4 per cent, marked a particular highlight. The completion of the takeover of Fidea in July was also a great success. Our colleagues in Belgium are now working hard to integrate the new entity into the business as quickly as possible. In addition to excellent operating results in the core insurance business, we are also systematically pursuing the creation and expansion of our ecosystems, with a special focus on transport and the home environment. For our home ecosystem, we recently invested in two new businesses in Switzerland – Bubble Box und Devis.ch. The addition of these new partners further expanded our network of providers of essential customer services. We were also successful in finding third-party investors for our German insurtech FRIDAY. Baloise is well on track to achieve its targets for the Simply Safe strategic phase.”** Gert De Winter, Group CEO

## BALOISE SHARES

After significant falls in share prices at the end of 2018 amid geopolitical risks and concerns about a slowdown in global economic growth, the equity markets rallied in the first half of 2019 and recorded substantial gains. Despite the economic slowdown and a bleaker outlook, share prices were lifted primarily as a result of central banks hitting the pause button on their normalisation of monetary policy. The US Federal Reserve, which had still been hinting in December 2018 that it was planning two further interest-rate hikes for 2019, put investors at ease in January with an announcement that further interest-rate increases would be suspended for the time being in light of the weakening economy and political risks. Some in the financial markets even thought the Fed might announce an interest-rate cut at its meeting in July 2019. At a conference in Chicago at the start of June, Fed Chair Jerome Powell also indicated vaguely that an interest-rate cut might be on the cards.

The bond market experienced significant falls in yields in the first half of the year as a result of weaker macroeconomic data, more expansionary monetary policy signals from central banks and uncertainty over Brexit and the trade dis-

pute between the US and China. At the end of June 2019, yields on 10-year US Treasuries were down by 68 basis points compared with the end of 2018. Yields on 10-year Swiss government bonds fell to minus 0.53 per cent. This means that yields are currently only just above their all-time low of mid-2016.

Baloise shares\* were in demand during the first half of 2019, not least because of the Company's strong balance sheet and conservative investment approach. In a market environment in which investors were increasingly expecting higher volatility, Baloise shares gained an impressive 27.6 per cent and closed the first half of the year at CHF 172.80. This means that Baloise outperformed the Swiss Market Index (SMI) and the European insurance industry index (STOXX EUROPE 600 INSURANCE) by 10.2 per cent and 11.0 per cent respectively.

The shares in Baloise Holding Ltd were widely held and their free float remained unchanged at 100 per cent. There were no material changes in the Company's shareholder base during the first half of the year.

\* Baloise shares = shares of Baloise Holding Ltd

### KEY FIGURES ON THE COMPANY'S SHARES

	30.6.2018	31.12.2018	30.6.2019	Change (%) versus 31.12.2018 <sup>1</sup>
Shares issued (units)	48,800,000	48,800,000	48,800,000	0.0
Basic earnings per share (CHF)	5.71	11.14	8.50	48.9
Diluted earnings per share (CHF)	5.71	11.12	8.49	48.7
Equity per share <sup>2</sup> (CHF)	129.1	127.1	141.9	11.6
Closing price (CHF)	144.30	135.40	172.80	27.6
Market capitalisation (CHF million)	7,041.8	6,607.5	8,432.6	27.6

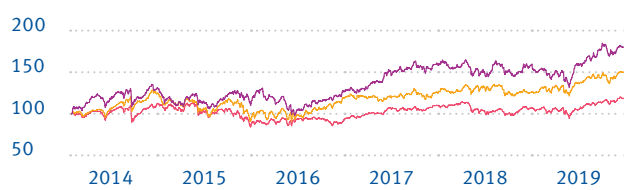
<sup>1</sup> Changes in earnings per share compared with 30 June 2018.

<sup>2</sup> Calculation is based on the profit for the period attributable to shareholders and the equity attributable to shareholders.

### BALOISE SHARES

Securities symbol	BALN
Par value	CHF 0.10
Securities number	1.241.051
ISIN	CH0012410517
Stock exchange	SIX Swiss Exchange
Type of shares	100% registered shares

### INDEXED PRICE PERFORMANCE<sup>1</sup> OF BALOISE HOLDING LTD REGISTERED SHARES 2014 – 2019



<sup>1</sup> 30 June 2014 = 100

■ Baloise Namen (BALN)  
■ SWX SP Insurance Price Index (SMINNX)  
■ Swiss Market Index (SMI)

## BUSINESS VOLUMES, PREMIUMS AND COMBINED RATIO

### BUSINESS VOLUMES

First half of 2018	Group	Switzerland	Germany	Belgium	Luxembourg <sup>2</sup> (restated) <sup>3</sup>
CHF million					
Non-life	2,262.3	1,054.7	515.3	598.6	81.2
Life	2,200.8	1,891.3	193.1	78.4	37.5
<b>Sub-total of IFRS gross premiums written<sup>1</sup></b>	<b>4,463.1</b>	<b>2,946.0</b>	<b>708.4</b>	<b>677.1</b>	<b>118.7</b>
Investment-type premiums	1,005.2	44.0	119.6	224.8	616.7
<b>Total business volume</b>	<b>5,468.3</b>	<b>2,990.0</b>	<b>828.0</b>	<b>901.9</b>	<b>735.5</b>

### BUSINESS VOLUMES

First half of 2019	Group	Switzerland	Germany	Belgium	Luxembourg <sup>2</sup>
CHF million					
Non-life	2,263.6	1,042.3	507.3	619.3	85.0
Life	2,869.8	2,556.4	188.9	82.1	41.9
<b>Sub-total of IFRS gross premiums written<sup>1</sup></b>	<b>5,133.4</b>	<b>3,598.7</b>	<b>696.2</b>	<b>701.4</b>	<b>126.9</b>
Investment-type premiums	880.7	51.0	105.1	223.3	501.2
<b>Total business volume</b>	<b>6,014.1</b>	<b>3,649.7</b>	<b>801.3</b>	<b>924.7</b>	<b>628.2</b>

1 Premiums written and policy fees (gross).

2 Including Baloise Life Liechtenstein.

3 Change of chief operating decision maker for variable annuities products, which are being run off in Liechtenstein.

### PREMIUMS EARNED (GROSS)

First half of the year	Non-life		Life		Total	
	2018	2019	2018	2019	2018	2019
CHF million						
IFRS gross premiums written	2,262.3	2,263.6	2,200.8	2,869.8	4,463.1	5,133.4
Change in unearned premium reserves	-603.1	-584.8	-	-	-603.1	-584.8
<b>Premiums earned and policy fees</b>	<b>1,659.2</b>	<b>1,678.8</b>	<b>2,200.8</b>	<b>2,869.8</b>	<b>3,860.0</b>	<b>4,548.6</b>

### NON-LIFE GROSS PREMIUMS BY SECTOR

	1 <sup>st</sup> half	1 <sup>st</sup> half	+ / - %
	2018	2019	
CHF million			
Accident	282.7	295.5	4.5
Health	125.1	128.2	2.5
General liability	243.9	233.2	-4.4
Motor	761.3	752.6	-1.1
Property	669.7	667.2	-0.4
Marine	103.4	105.3	1.8
Other	48.7	47.5	-2.5
Inward reinsurance	27.5	34.2	24.4
<b>Gross premiums written, non-life</b>	<b>2,262.3</b>	<b>2,263.6</b>	<b>0.1</b>

#### LIFE GROSS PREMIUMS BY SECTOR

	1 <sup>st</sup> half	1 <sup>st</sup> half	+ / - %
	2018	2019	
CHF million			
Business volume of single premiums	1,421.0	1,915.6	34.8
Business volume of periodic premiums	1,785.0	1,834.8	2.8
Investment-type premiums	-1,005.2	-880.7	-12.4
Gross premiums written (life)	2,200.8	2,869.8	30.4

#### NET COMBINED RATIO

First half of 2018	Group	Switzerland	Germany	Belgium	Luxembourg
As a percentage of premiums earned					
Claims ratio <sup>1</sup>	62.3	56.7	60.6	60.3	58.6
Expense ratio	31.8	26.9	35.8	34.8	32.3
Combined ratio	94.1	83.6	96.4	95.1	90.9

#### NET COMBINED RATIO

First half of 2019	Group	Switzerland	Germany	Belgium	Luxembourg
As a percentage of premiums earned					
Claims ratio <sup>1</sup>	55.2	55.4	56.0	62.2	55.1
Expense ratio	32.2	27.2	35.2	34.0	36.9
Combined ratio	87.4	82.6	91.2	96.2	92.0

1 Including profit-sharing ratio.

#### GROSS AND NET COMBINED RATIOS

First half	Gross (Group)		Net (Group)	
	2018	2019	2018	2019
As a percentage of premiums earned				
Claims ratio <sup>1</sup>	61.9	57.0	62.3	55.2
Expense ratio	30.8	30.7	31.8	32.2
Combined ratio	92.7	87.7	94.1	87.4

1 Including profit-sharing ratio.

# Consolidated balance sheet (unaudited)

	31.12.2018	30.6.2019
CHF million		
<b>Assets</b>		
Property, plant and equipment	318.3	365.8
Intangible assets	1,041.2	1,010.9
Investments in associates	221.1	397.0
Investment property	7,904.0	8,006.1
Financial assets of an equity nature		
Available for sale	3,657.0	3,984.7
Recognised at fair value through profit or loss	10,481.0	11,186.6
Financial assets of a debt nature		
Held to maturity	8,002.5	7,743.8
Available for sale	23,771.4	25,300.0
Recognised at fair value through profit or loss	2,001.2	2,089.3
Mortgages and loans		
Carried at cost	15,470.5	15,757.5
Recognised at fair value through profit or loss	925.8	1,046.0
Derivative financial instruments	914.8	1,040.9
Receivables from financial contracts		
Carried at cost	–	–
Recognised at fair value through profit or loss	–	–
Reinsurance assets	457.2	522.7
Receivables from reinsurers	41.9	40.9
Insurance receivables	433.3	525.0
Receivables from employee benefits	7.3	12.9
Other receivables	325.7	344.7
Receivables from investments	406.9	330.8
Deferred tax assets	73.5	73.4
Current income tax assets	61.1	93.6
Other assets		
Carried at cost	248.9	361.3
Recognised at fair value through profit or loss	54.1	53.7
Cash and cash equivalents	4,036.1	3,587.4
Non-current assets and disposal groups classified as held for sale	–	193.9
<b>Total assets</b>	<b>80,854.8</b>	<b>84,068.9</b>



	31.12.2018	30.6.2019
CHF million		
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	4.9	4.9
Capital reserves	352.3	344.9
Treasury shares	-291.8	-333.3
Unrealised gains and losses (net)	-515.4	36.7
Retained earnings	6,420.5	6,536.9
<b>Equity before non-controlling interests</b>	<b>5,970.6</b>	<b>6,590.0</b>
Non-controlling interests	37.6	1.9
<b>Total equity</b>	<b>6,008.2</b>	<b>6,591.9</b>
<b>Liabilities</b>		
Technical reserves (gross)	46,575.2	48,334.4
Liabilities arising from the banking business and financial contracts		
With discretionary participation features (DPF)	2,924.7	3,007.2
Measured at amortised cost	6,997.5	7,270.4
Recognised at fair value through profit or loss	11,616.9	12,497.2
Financial liabilities	1,744.5	1,820.1
Provisions	63.7	54.0
Derivative financial instruments	117.3	211.8
Insurance liabilities	1,829.8	953.9
Liabilities arising from employee benefits	1,220.7	1,393.3
Other accounts payable	675.9	778.3
Deferred tax liabilities	907.8	958.9
Current income tax liabilities	67.4	57.3
Other liabilities	105.1	127.5
Liabilities included in non-current assets and disposal groups classified as held for sale	-	12.6
<b>Total liabilities</b>	<b>74,846.6</b>	<b>77,477.0</b>
<b>Total equity and liabilities</b>	<b>80,854.8</b>	<b>84,068.9</b>

# Consolidated income statement (unaudited)

	1 <sup>st</sup> half	1 <sup>st</sup> half
	2018	2019
CHF million		
<b>Income</b>		
Premiums earned and policy fees (gross)	3,860.0	4,548.6
Reinsurance premiums ceded	-93.4	-122.3
Premiums earned and policy fees (net)	3,766.6	4,426.3
Investment income	731.5	657.1
Realised gains and losses on investments		
For own account and at own risk	50.5	145.1
For the account and at risk of life insurance policyholders and third parties	-177.3	1,035.0
Income from services rendered	64.9	56.5
Share of profit (loss) of associates	3.8	4.6
Other operating income	131.8	100.5
<b>Income</b>	<b>4,571.8</b>	<b>6,425.2</b>
<b>Expense</b>		
Claims and benefits paid (gross)	-3,256.4	-3,367.9
Change in technical reserves (gross)	-167.5	-1,014.2
Reinsurers' share of claims incurred	54.7	96.2
Acquisition costs	-255.4	-264.2
Operating and administrative expenses for insurance business	-409.0	-396.8
Investment management expenses	-38.4	-40.6
Interest expenses on insurance liabilities	-10.7	-8.6
Gains or losses on financial contracts	124.6	-828.5
Other operating expenses	-252.7	-242.5
<b>Expense</b>	<b>-4,210.7</b>	<b>-6,067.2</b>
<b>Profit for the period before borrowing costs and taxes</b>	<b>361.1</b>	<b>358.0</b>
Borrowing costs	-19.9	-19.3
<b>Profit for the period before taxes</b>	<b>341.1</b>	<b>338.6</b>
Income taxes	-71.9	54.9
<b>Profit for the period</b>	<b>269.3</b>	<b>393.6</b>
Attributable to:		
Shareholders	269.7	395.0
Non-controlling interests	-0.4	-1.4
Earnings / loss per share		
Basic (CHF)	5.71	8.50
Diluted (CHF)	5.71	8.49

## Consolidated statement of comprehensive income (unaudited)

	1 <sup>st</sup> half	1 <sup>st</sup> half
	2018	2019
CHF million		
<b>Profit for the period</b>	<b>269.3</b>	<b>393.6</b>
<b>Items not to be reclassified to the income statement</b>		
Change in reserves arising from reclassification of investment property	–	–
Change in reserves arising from assets and liabilities of defined benefit post-employment benefits	87.1	–194.4
Change arising from shadow accounting	–4.9	43.5
Deferred income taxes	–13.4	19.3
<b>Total items not to be reclassified to the income statement</b>	<b>68.8</b>	<b>–131.6</b>
<b>Items to be transferred to the income statement</b>		
Change in unrealised gains and losses on available-for-sale financial assets	–429.8	1,492.7
Change in unrealised gains and losses on associates	0.5	5.4
Change in hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	–26.2	14.0
Change in reserves arising from reclassification of held-to-maturity financial assets	–0.4	–0.4
Change arising from shadow accounting	150.2	–602.8
Exchange differences	10.6	–42.0
Deferred income taxes	59.9	–183.2
<b>Total items to be transferred to the income statement</b>	<b>–235.1</b>	<b>683.8</b>
<b>Other comprehensive income</b>	<b>–166.3</b>	<b>552.1</b>
<b>Comprehensive income (for the period)</b>	<b>103.0</b>	<b>945.7</b>
<b>Attributable to:</b>		
Shareholders	104.2	947.0
Non-controlling interests	–1.1	–1.3

# Consolidated cash flow statement (unaudited)

	1 <sup>st</sup> half	1 <sup>st</sup> half
	2018	2019
CHF million		
<b>Cash flow from operating activities</b>		
Profit before taxes	341.1	338.6
<b>Adjustments for</b>		
Depreciation, amortisation and impairment of property, plant and equipment and of intangible assets	31.7	39.8
Realised gains and losses on property, plant and equipment and on intangible assets	0.4	0.0
Income from investments in associates	-3.8	-4.6
Realised gains and losses on financial assets, investment property and associates	115.3	-1,143.8
Amortised cost valuation of financial instruments	4.6	2.6
<b>Change in assets and liabilities from operating activities</b>		
Deferred acquisition costs	-42.0	-32.8
Technical reserves	698.9	1,511.9
Reinsurers' share of technical reserves	-44.4	-71.5
Receivables and liabilities arising from banking business and financial contracts	598.0	1,413.6
Receivables from investments	76.0	74.0
Receivables and liabilities arising from insurance business and from reinsurers	-832.3	-966.6
Change in other assets and other liabilities from operating activities	122.8	-63.7
<b>Change in operating assets and liabilities</b>		
Purchase of investment property	-273.6	-232.8
Sale of investment property	-	44.4
Purchase of financial assets of an equity nature	-1,816.9	-3,053.8
Sale of financial assets of an equity nature	1,237.1	3,103.7
Purchase of financial assets of a debt nature	-3,371.9	-3,815.0
Sale of financial assets of a debt nature	3,534.9	3,589.1
Addition of mortgages and loans	-1,155.9	-22,031.7
Disposal of mortgages and loans	1,343.7	21,622.3
Addition of derivative financial instruments	-174.3	-327.8
Disposal of derivative financial instruments	21.5	199.4
Borrowing costs	19.9	19.3
Taxes paid	-94.5	-86.6
<b>Cash flow from operating activities</b>	336.5	128.2

	1 <sup>st</sup> half	1 <sup>st</sup> half
	2018	2019
CHF million		
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	-6.5	-15.4
Sale of property, plant and equipment	0.4	0.3
Purchase of intangible assets	-20.5	-22.2
Sale of intangible assets	0.4	-
Acquisition of companies, net of cash and cash equivalents	1.8	-37.4
Disposal of companies, net of cash and cash equivalents	-	-
Purchase of investments in associates	-	-175.4
Sale of investments in associates	-	-
Dividends from associates	5.5	7.0
<b>Cash flow from investing activities</b>	<b>-19.0</b>	<b>-243.0</b>
<b>Cash flow from financing activities</b>		
Additions to financial liabilities	-	200.1
Disposals of financial liabilities	-	-175.0
Borrowing costs paid	-7.3	-8.0
Purchase of treasury shares	-120.7	-87.7
Sale of treasury shares	28.9	41.5
Change in share-based payments	-2.3	-2.8
Cash flow attributable to non-controlling interests	-0.3	-0.3
Dividends paid	-264.0	-278.6
<b>Cash flow from financing activities</b>	<b>-365.7</b>	<b>-310.7</b>
<b>Total cash flow</b>	<b>-48.1</b>	<b>-425.4</b>
<b>Cash and cash equivalents</b>		
Balance as at 1 January	3,551.6	4,036.2
Change during the financial year	-48.1	-425.4
Reclassification to non-current assets and disposal groups classified as held for sale	-27.9	-
Effect of changes in exchange rates on cash and cash equivalents	-13.6	-23.3
<b>Balance as at 31 December</b>	<b>3,462.0</b>	<b>3,587.4</b>
<b>Breakdown of cash and cash equivalents at the balance sheet date</b>		
Cash and bank balances	2,148.3	1,990.9
Cash equivalents	0.1	0.1
Cash and cash equivalents for the account and at the risk of life insurance policyholders	1,313.6	1,596.5
<b>Balance as at 31 December</b>	<b>3,462.0</b>	<b>3,587.4</b>
Of which: restricted cash and cash equivalents	91.3	182.4
<b>Supplemental disclosures on cash flow from operating activities</b>		
Interest received	391.1	353.1
Dividends received	75.0	50.6
Interest paid	-15.4	-11.7

## Consolidated statement of changes in equity (unaudited)

2018	Share capital	Capital reserves	Treasury shares	Other changes in equity	Retained earnings	Equity before non-controlling interests	Non-controlling interests	Total equity
CHF million								
Balance as at 1 January	4.9	346.2	-152.3	-4.3	6,151.7	6,346.2	63.0	6,409.2
Profit for the period	-	-	-	-	269.7	269.7	-0.4	269.3
Other comprehensive income	-	-	-	-165.5	-	-165.5	-0.7	-166.3
Comprehensive income	-	-	-	-165.5	269.7	104.2	-1.1	103.0
<b>Other changes in equity</b>								
Dividend	-	-	-	-	-264.0	-264.0	-0.3	-264.3
Capital increase / repayment	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-13.2	-107.5	-	-	-120.7	-	-120.7
Sale of treasury shares	-	6.3	22.6	-	-	28.9	-	28.9
Share-based payments	-	-	-2.3	-	-	-2.3	-	-2.3
Increase / decrease in non-controlling interests due to change in the scope of consolidation	-	-	-	-	-	-	-	-
Increase / decrease in non-controlling interests due to change in percentage of shareholding	-	-	-	-	-	-	-0.5	-0.5
Other	-	-	-	-	-	-	-	-
Balance as at 30 June	4.9	339.4	-239.5	-169.8	6,157.3	6,092.3	61.0	6,153.2

2019	Share capital	Capital reserves	Treasury shares	Other changes in equity	Retained earnings	Equity before non-controlling interests	Non-controlling interests	Total equity
CHF million								
Balance as at 1 January	4.9	352.3	-291.8	-515.4	6,420.5	5,970.6	37.6	6,008.2
Profit for the period	-	-	-	-	395.0	395.0	-1.4	393.6
Other comprehensive income	-	-	-	552.1	-	552.1	0.0	552.1
Comprehensive income	-	-	-	552.1	395.0	947.0	-1.3	945.7
<b>Other changes in equity</b>								
Dividend	-	-	-	-	-278.6	-278.6	-0.3	-278.8
Capital increase / repayment	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-21.8	-66.0	-	-	-87.7	-	-87.7
Sale of treasury shares	-	14.4	27.2	-	-	41.5	-	41.5
Share-based payments	-	-	-2.8	-	-	-2.8	-	-2.8
Increase / decrease in non-controlling interests due to change in the scope of consolidation	-	-	-	-	-	-	-	-
Increase / decrease in non-controlling interests due to change in percentage of shareholding	-	-	-	-	-	-	-34.1	-34.1
Other	-	-	-	-	-0.1	-0.1	-	-0.1
Balance as at 30 June	4.9	344.9	-333.3	36.7	6,536.9	6,590.0	1.9	6,591.9

# Condensed notes to the consolidated half-year financial statements (unaudited)

## BASIS OF PREPARATION

These IFRS half-year financial statements have been prepared in compliance with IAS 34 (Interim Financial Reporting) of the International Financial Reporting Standards (IFRSs) and should be read in conjunction with the 2018 annual report. The accounting principles used to prepare these IFRS half-year financial statements are the same as those applied to the annual financial statements for 2018.

All amounts shown in these IFRS half-year 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.

## APPLICATION OF NEW FINANCIAL REPORTING STANDARDS

### Newly applied IFRSs and interpretations

The Baloise Group is utilising the temporary exemption from IFRS 9 in connection with the amendments to IFRS 4 Insurance Contracts. It qualifies for a temporary exemption from IFRS 9 because liabilities relating to the insurance business constituted 87 per cent of the total carrying amount of all liabilities as at 31 December 2015. There have been no changes to business activities since then, so 31 December 2015 continues to be the relevant date for calculating the proportion of liabilities relating to the insurance business. The qualitative factors within the meaning of IFRS 4.20 F b) are, firstly, Baloise's assignment to the insurance supersector in the STOXX Europe 600 Insurance Index under stock-market law and, secondly, Baloise Holding AG's regulatory categorisation by FINMA as an insurance group.

By opting to apply the temporary exemption, the Baloise Group is adopting the deferral approach, which enables it to adopt IFRS 9 and IFRS 17 simultaneously with effect from 1 January 2022. Until these standards are adopted, there will be no effect on profit for the period or on balance sheet line items.

The Baloise Group has applied IFRS 16 Leases since 1 January 2019. As a result of the first-time adoption of IFRS 16, the Baloise Group recognised right-of-use assets in respect of property, plant and equipment in an amount of CHF 52.9 million and lease liabilities of CHF 52.9 million. The modified retrospective method pursuant to IFRS 16 C5b was used for transition purposes, so the comparative figures for the prior-year period were not restated. Baloise also used the option pursuant to IFRS 16 C8b ii and recognised the right-of-use assets as at 1 January 2019 in the same amount as the lease liabilities. Consequently, the first-time adoption of IFRS 16 did not require the recognition of any adjustments in other comprehensive income. The Baloise Group also decided to exercise the option to not recognise short-term leases with a remaining term of less than twelve months and to not recognise leases where the underlying asset is of low value. Application of IFRS 16 had no material impact on profit for the period.



IFRS 16 TRANSITION USING THE MODIFIED RETROSPECTIVE APPROACH (IFRS 16 C5B)

	prior to application	IFRS 16	Consolidated	Consolidated
			balance sheet as at 1 January 2019	balance sheet as at 30 June 2019
			after application	
CHF million				
<b>Balance sheet items</b>				
Property, plant and equipment	318.3	52.9	371.2	365.8
<b>Total assets</b>	<b>80,854.8</b>	<b>–</b>	<b>80,907.7</b>	<b>84,068.9</b>
Financial liabilities	1,744.5	52.9	1,797.4	1,820.1
<b>Total liabilities</b>	<b>80,854.8</b>	<b>–</b>	<b>80,907.7</b>	<b>84,068.9</b>

The Baloise Group does not believe it is necessary to voluntarily adopt other new accounting standards earlier than required.

#### CHANGES IN SHAREHOLDINGS AND IN THE GROUP OF CONSOLIDATED ENTITIES

In Switzerland, 66.7 per cent of the shares in start-up Bubble Box AG, which operates an online platform for laundry and dry cleaning services, were acquired on 29 April 2019. Baloise has an option to buy the remaining shares, which is why the company has been fully consolidated.

Baloise Insurance Belgium has acquired 12 per cent of the shares in Infracore SA, which operates in the healthcare property market. The Switzerland strategic business unit had already acquired a 20 per cent stake in Infracore SA in 2018. Consequently, the Baloise Group now holds a total of 32 per cent of the shares in this associate.

In mid-May 2019, 28.2 per cent of the shares were acquired in Central Real Estate Holding AG, which invests in development projects located in the central business districts of Swiss cities. This holding company's first project is the acquisition by its subsidiary Central Real Estate Basel AG of the roughly 160,000 square metre Klybeck site in Basel's district of the same name.

External investors SevenVentures and German Media Pool have acquired a stake in FRI:DAY Insurance S.A. and now hold 18.2 per cent of the share capital. Beneficial ownership of the shares has passed to the external investors. There are call and put options in place that can be exercised by Baloise and the external investors after a certain point in time.

In the first half of 2019, the Baloise Group acquired a further 13.9 per cent of the shares in Artires AG, taking Baloise's stake to 98.9 per cent.

## EXCHANGE RATES

### CURRENCY

	Balance sheet		Income statement	
	31.12.2018	30.6.2019	ø 2018	ø 2019
CHF				
1 EUR (euro)	1.13	1.11	1.17	1.13
1 USD (US dollar)	0.98	0.98	0.97	1.00

### 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 revenue generated by the Baloise Group is broken down into the Non-Life, Life, Asset management and banking and Other activities operating segments.

The “Bank” segment has been renamed “Asset Management & Banking”. This was done simply to give the segment a more accurate name, as it encompasses banking-related areas of asset management as well as the actual banking area.

In the first half of 2019, there was a change of chief operating decision maker for variable annuities products, which are being run off in Liechtenstein. As a result, this business is no longer reported within the Luxembourg segment (which also covers Liechtenstein) and is instead included in the Group business segment. The figures for the prior year have been restated accordingly.

In the Group business segment, the London market run-off portfolio was sold. This portfolio mainly consisted of liability claims relating to asbestos and environmental damage. The transaction is structured in such a way that it will lead to the full finality of the affected portfolio for Baloise.

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## SEGMENT REPORTING BY STRATEGIC BUSINESS UNIT (FIRST HALF-YEAR)

	Switzerland		Germany		Belgium	
	2018	2019	2018	2019	2018	2019
CHF million						
<b>Income</b>						
Premiums earned and policy fees (gross)	2,558.3	3,217.0	592.5	591.1	602.5	625.0
Reinsurance premiums ceded	-49.9	-43.2	-49.7	-44.2	-47.1	-60.9
Premiums earned and policy fees (net)	2,508.3	3,173.8	542.8	546.9	555.4	564.1
Investment income	466.9	434.1	126.5	98.7	125.5	115.3
Realised gains and losses on investments						
For own account and at own risk	-34.9	104.7	107.3	26.9	-19.0	34.3
For the account and at risk of life insurance policyholders and third parties	-17.7	51.3	-6.8	217.2	-2.9	42.5
Income from services rendered	22.1	31.1	14.6	5.6	2.0	2.0
Share of profit (loss) of associates	0.0	1.3	3.8	3.3	-	-
Other operating income	97.2	61.5	23.6	15.2	16.5	10.8
<b>Income</b>	<b>3,041.9</b>	<b>3,857.9</b>	<b>811.7</b>	<b>913.8</b>	<b>677.5</b>	<b>769.1</b>
Intersegment income	-11.6	-17.5	23.3	16.3	19.2	19.9
Income from associates	0.0	1.3	3.8	3.3	-	-
<b>Expense</b>						
Claims and benefits paid (gross)	-2,241.5	-2,462.1	-508.3	-409.1	-414.0	-429.3
Change in technical reserves (gross)	-134.2	-657.7	-78.7	-284.6	80.6	-54.1
Reinsurers share of claims incurred	20.9	13.0	38.8	23.1	35.3	76.7
Acquisition costs	-19.4	-26.6	-94.0	-92.2	-129.3	-132.7
Operating and administrative expenses for insurance business	-225.1	-227.0	-92.9	-85.0	-61.6	-52.7
Investment management expenses	-26.7	-26.3	-11.8	-13.4	-7.1	-6.7
Interest expenses on insurance liabilities	-0.1	-0.1	-10.6	-8.5	-0.1	-0.1
Gains or losses on financial contracts	8.6	-49.9	-12.2	-0.5	-19.3	-66.8
Other operating expenses	-168.6	-143.2	-38.4	-31.7	-24.9	-31.7
<b>Expense</b>	<b>-2,786.1</b>	<b>-3,580.0</b>	<b>-808.1</b>	<b>-902.0</b>	<b>-540.4</b>	<b>-697.4</b>
<b>Profit / loss for the period before borrowing costs and taxes</b>	<b>255.8</b>	<b>277.9</b>	<b>3.6</b>	<b>11.9</b>	<b>137.2</b>	<b>71.7</b>
Borrowing costs	-5.1	-5.3	-	0.0	-	0.0
<b>Profit / loss for the period before taxes</b>	<b>250.8</b>	<b>272.6</b>	<b>3.6</b>	<b>11.9</b>	<b>137.2</b>	<b>71.7</b>
Income taxes	-44.6	92.7	-3.7	-10.3	-32.1	-21.4
<b>Profit / loss for the period (segment result)</b>	<b>206.2</b>	<b>365.4</b>	<b>-0.1</b>	<b>1.6</b>	<b>105.1</b>	<b>50.3</b>
Segment assets as at 30 June	46,058.0	46,690.7	14,409.6	13,258.3	10,892.5	11,068.6
Segment assets as at 31 December	45,409.1		12,792.3		10,591.9	

	Luxembourg		Sub-total		Group business		Eliminated		Total	
	2018 (restated)	2019	2018 (restated)	2019	2018 (restated)	2019	2018	2019	2018	2019
	102.9	110.1	3,856.1	4,543.2	63.7	59.4	-59.8	-54.0	3,860.0	4,548.6
	-9.2	-7.4	-155.9	-155.7	-0.3	-23.8	62.8	57.3	-93.4	-122.3
	93.7	102.6	3,700.2	4,387.5	63.4	35.5	3.0	3.3	3,766.6	4,426.3
	11.9	11.7	730.8	659.7	1.7	1.5	-1.0	-4.1	731.5	657.1
	2.9	-0.1	56.3	165.8	-5.8	-20.7	-	-	50.5	145.1
	-129.6	678.6	-157.1	989.6	-20.3	45.4	-	-	-177.3	1,035.0
	13.1	10.5	51.8	49.3	84.2	84.6	-71.1	-77.4	64.9	56.5
	-	-	3.8	4.6	-	-	-	-	3.8	4.6
	7.1	22.0	144.4	109.5	18.6	18.3	-31.2	-27.3	131.8	100.5
	-0.9	825.3	4,530.3	6,366.1	141.8	164.5	-100.3	-105.5	4,571.8	6,425.2
	2.1	2.3	33.0	20.9	-133.3	-126.4	100.3	105.5	-	-
	-	-	3.8	4.6	-	-	-	-	3.8	4.6
	-83.7	-58.6	-3,247.4	-3,359.2	-42.0	-39.3	33.0	30.5	-3,256.4	-3,367.9
	13.4	-31.4	-119.0	-1,027.9	-58.9	-9.5	10.3	23.1	-167.5	-1,014.2
	4.6	4.9	99.6	117.8	1.4	35.3	-46.3	-56.9	54.7	96.2
	-11.9	-11.8	-254.6	-263.4	-1.6	-1.6	0.8	0.7	-255.4	-264.2
	-26.0	-29.0	-405.6	-393.7	-2.5	-2.4	-0.8	-0.7	-409.0	-396.8
	-0.8	-0.9	-46.4	-47.3	-3.9	-2.8	11.9	9.5	-38.4	-40.6
	-0.1	-0.1	-10.9	-8.8	0.1	0.1	0.1	0.1	-10.7	-8.6
	128.8	-667.6	106.0	-784.8	17.6	-47.7	1.0	4.1	124.6	-828.5
	-6.1	-21.0	-238.0	-227.6	-105.0	-110.0	90.3	95.1	-252.7	-242.5
	18.2	-815.6	-4,116.3	-5,994.9	-194.7	-177.8	100.3	105.5	-4,210.7	-6,067.2
	17.4	9.7	414.0	371.2	-52.9	-13.2	-	-	361.1	358.0
	-	-0.1	-5.1	-5.4	-14.9	-14.0	-	-	-19.9	-19.3
	17.4	9.7	408.9	365.8	-67.8	-27.2	-	-	341.1	338.6
	-2.8	-0.5	-83.2	60.6	11.3	-5.6	-	-	-71.9	54.9
	14.6	9.2	325.7	426.4	-56.5	-32.8	-	-	269.3	393.6
	12,309.5	12,293.1	83,669.7	83,310.8	2,562.2	2,718.0	-1,943.2	-1,959.8	84,288.8	84,068.9
	11,650.5		80,443.9		2,342.7		-1,931.8		80,854.8	

## SEGMENT REPORTING BY OPERATING SEGMENT (FIRST HALF-YEAR)

	Non-life		Life	
	2018	2019	2018	2019
CHF million				
<b>Income</b>				
Premiums earned and policy fees (gross)	1,659.2	1,678.8	2,200.8	2,869.8
Reinsurance premiums ceded	-80.4	-105.6	-12.9	-16.6
Premiums earned and policy fees (net)	1,578.8	1,573.2	2,187.8	2,853.1
Investment income	112.6	97.5	564.5	517.4
Realised gains and losses on investments				
For own account and at own risk	1.6	3.7	55.3	116.7
For the account and at risk of life insurance policyholders and third parties	-	-	-168.1	1,003.0
Income from services rendered	14.4	17.1	14.4	11.7
Share of profit (loss) of associates	-	1.3	0.8	0.9
Other operating income	39.4	20.6	115.8	88.2
<b>Income</b>	<b>1,746.7</b>	<b>1,713.4</b>	<b>2,770.4</b>	<b>4,591.0</b>
Intersegment income	-21.9	-16.9	-20.2	-18.4
Income from associates	-	1.3	0.8	0.9
<b>Expense</b>				
Claims and benefits paid (gross)	-1,003.3	-1,034.2	-2,253.1	-2,333.7
Change in technical reserves (gross)	-29.1	78.0	-138.5	-1,092.3
Reinsurers share of claims incurred	44.7	88.0	10.0	8.2
Acquisition costs	-235.1	-239.3	-20.3	-24.9
Operating and administrative expenses for insurance business	-267.9	-263.1	-141.1	-133.8
Investment management expenses	-15.0	-14.5	-49.3	-51.3
Interest expenses on insurance liabilities	-0.1	-0.1	-10.6	-8.4
Gains or losses on financial contracts	-0.1	-0.6	131.0	-768.0
Other operating expenses	-95.9	-101.4	-105.1	-80.5
<b>Expense</b>	<b>-1,601.7</b>	<b>-1,487.3</b>	<b>-2,576.9</b>	<b>-4,484.7</b>
<b>Profit / loss for the period before borrowing costs and taxes</b>	<b>145.1</b>	<b>226.1</b>	<b>193.6</b>	<b>106.3</b>
Borrowing costs	-	-0.2	-5.1	-5.2
<b>Profit / loss for the period before taxes</b>	<b>145.1</b>	<b>225.9</b>	<b>188.5</b>	<b>101.1</b>
Income taxes	-28.9	-13.9	-37.6	84.1
<b>Profit / loss for the period (segment result)</b>	<b>116.2</b>	<b>212.1</b>	<b>150.9</b>	<b>185.2</b>

Asset Management & Banking		Other activities		Eliminated		Total	
2018	2019	2018	2019	2018	2019	2018	2019
-	-	-	-	-	-	3,860.0	4,548.6
-	-	-	-	-	-	-93.4	-122.3
-	-	-	-	-	-	3,766.6	4,426.3
56.2	45.1	1.4	1.3	-3.2	-4.3	731.5	657.1
-5.4	17.3	-0.9	7.4	-	-	50.5	145.1
-	-	-9.2	32.0	-	-	-177.3	1,035.0
80.0	75.4	83.6	79.6	-127.5	-127.2	64.9	56.5
-	-	3.0	2.4	-	-	3.8	4.6
2.2	6.9	5.8	6.9	-31.3	-22.1	131.8	100.5
133.0	144.8	83.7	129.6	-162.0	-153.6	4,571.8	6,425.2
-42.7	-43.1	-77.2	-75.1	162.0	153.6	-	-
-	-	3.0	2.4	-	-	3.8	4.6
-	-	-	-	-	-	-3,256.4	-3,367.9
-	-	-	-	-	-	-167.5	-1,014.2
-	-	-	-	-	-	54.7	96.2
-	-	-	-	-	-	-255.4	-264.2
-	-	-	-	-	-	-409.0	-396.8
-14.9	-15.9	-1.0	-0.3	41.8	41.5	-38.4	-40.6
-	-	-	-	-	-	-10.7	-8.6
-16.0	-28.1	6.5	-36.1	3.2	4.3	124.6	-828.5
-60.1	-58.2	-108.8	-110.2	117.1	107.9	-252.7	-242.5
-91.0	-102.2	-103.2	-146.7	162.0	153.6	-4,210.7	-6,067.2
42.0	42.6	-19.6	-17.0	-	-	361.1	358.0
-	0.0	-14.9	-14.0	-	-	-19.9	-19.3
42.0	42.6	-34.4	-31.0	-	-	341.1	338.6
-8.6	-6.4	3.2	-8.9	-	-	-71.9	54.9
33.4	36.2	-31.2	-39.9	-	-	269.3	393.6

## SHARE CAPITAL

	Number of treasury shares	Number of shares in circulation	Number of shares issued	Share capital (CHF million)
<b>Balance as at 1 January 2018</b>	<b>1,327,993</b>	<b>47,472,007</b>	<b>48,800,000</b>	<b>4.9</b>
Purchase / sale of treasury shares	890,141	- 890,141	-	-
Capital increases	-	-	-	-
Share buy-back and cancellation	-	-	-	-
<b>Balance as at 31 December 2018</b>	<b>2,218,134</b>	<b>46,581,866</b>	<b>48,800,000</b>	<b>4.9</b>

	Number of treasury shares	Number of shares in circulation	Number of shares issued	Share capital (CHF million)
<b>Balance as at 1 January 2019</b>	<b>2,218,134</b>	<b>46,581,866</b>	<b>48,800,000</b>	<b>4.9</b>
Purchase / sale of treasury shares	232,074	- 232,074	-	-
Capital increases	-	-	-	-
Share buy-back and cancellation	-	-	-	-
<b>Balance as at 30 June 2019</b>	<b>2,450,208</b>	<b>46,349,792</b>	<b>48,800,000</b>	<b>4.9</b>

The share capital of Baloise Holding Ltd on 30 June 2019 totals CHF 4.9 million and is divided into 48,800,000 registered, fully paid-up shares with a par value of CHF 0.10 each. As far as individuals, legal entities and partnerships are concerned, entry in the share register with voting rights is limited to 2 per cent of the registered share capital entered in the commercial register. The Baloise Group buys and sells its own shares for employee share ownership programmes.

The Annual General Meeting held on 26 April 2019 voted to pay a gross dividend of CHF 6.00 per share for the 2018 financial year. This amounted to a total dividend distribution of CHF 292.8 million. Excluding the treasury shares held by Baloise Holding Ltd at the time that the dividend was paid, the total distribution effectively amounted to CHF 278.6 million.

As at the balance sheet date (30 June 2019), a cumulative total of 1,579,875 shares in Baloise Holding Ltd had been repurchased for a total amount of CHF 236.6 million under the share buy-back programme that had been announced on 4 April 2017. The buy-back programme is planned for a maximum of three years.



## FINANCIAL LIABILITIES

On 28 January 2019, Baloise Holding Ltd issued a bond totalling CHF 200 million (0.5 per cent, 2019 – 2025, ISIN CH0458097976) as part of its refinancing of the bond maturing on 1 March 2019.

Following the introduction of IFRS 16 Leases, lease liabilities are reported as financial liabilities for the first time in the first half of this reporting year (see also the note on the application of new financial reporting standards).

## INCOME FROM INVESTMENTS FOR OWN ACCOUNT AND AT OWN RISK

	1 <sup>st</sup> half	1 <sup>st</sup> half
	2018	2019
CHF million		
Investment property	137.3	143.7
Financial assets of an equity nature		
Available for sale	106.3	67.5
Recognised at fair value through profit or loss	0.4	0.9
Financial assets of a debt nature		
Held to maturity	105.1	98.2
Available for sale	242.4	223.0
Recognised at fair value through profit or loss	0.9	0.9
Mortgages and loans		
Carried at cost	133.5	116.8
Recognised at fair value through profit or loss	5.9	6.8
Cash and cash equivalents	-0.4	-0.6
<b>Total income from investments for own account and at own risk</b>	<b>731.5</b>	<b>657.1</b>

REALISED GAINS AND LOSSES ON INVESTMENTS FOR OWN ACCOUNT AND AT OWN RISK

First half of 2018	Investment property	Financial assets of an equity nature	Financial assets of a debt nature	Mortgages and loans	Derivative financial instruments	Total
CHF million						
<b>Realised gains on disposals and book profits</b>						
Investment property	157.2	–	–	–	–	157.2
Held to maturity <sup>1</sup>	–	–	0.3	–	–	0.3
Available for sale	–	103.2	126.6	–	–	229.8
Recognised at fair value through profit or loss	–	4.8	–	0.0	241.1	245.9
Carried at cost	–	–	–	45.5	–	45.5
<b>Sub-total</b>	<b>157.2</b>	<b>108.0</b>	<b>126.9</b>	<b>45.5</b>	<b>241.1</b>	<b>678.7</b>
<b>Realised losses on disposals and book losses</b>						
Investment property	–94.9	–	–	–	–	–94.9
Held to maturity <sup>1</sup>	–	–	–17.1	–	–	–17.1
Available for sale	–	–29.9	–105.3	–	–	–135.2
Recognised at fair value through profit or loss	–	–12.9	–1.1	–4.0	–343.6	–361.6
Carried at cost	–	–	–	–0.7	–	–0.7
<b>Sub-total</b>	<b>–94.9</b>	<b>–42.8</b>	<b>–123.5</b>	<b>–4.8</b>	<b>–343.6</b>	<b>–609.5</b>
<b>Impairment losses recognised in profit or loss</b>						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–19.9	–	–	–	–19.9
Carried at cost	–	–	–	–0.9	–	–0.9
<b>Reversal of impairment losses recognised in profit or loss</b>						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–	–	–	–	–
Carried at cost	–	–	–	2.1	–	2.1
<b>Sub-total</b>	<b>–</b>	<b>–19.9</b>	<b>–</b>	<b>1.2</b>	<b>–</b>	<b>–18.7</b>
<b>Total realised gains and losses on investments</b>	<b>62.3</b>	<b>45.3</b>	<b>3.4</b>	<b>42.0</b>	<b>–102.5</b>	<b>50.5</b>

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.

REALISED GAINS AND LOSSES ON INVESTMENTS FOR OWN ACCOUNT AND AT OWN RISK

First half of 2019	Investment property	Financial assets of an equity nature	Financial assets of a debt nature	Mortgages and loans	Derivative financial instruments	Total
CHF million						
<b>Realised gains on disposals and book profits</b>						
Investment property	252.7	–	–	–	–	252.7
Held to maturity <sup>1</sup>	–	–	0.0	–	–	0.0
Available for sale	–	134.5	115.8	–	–	250.3
Recognised at fair value through profit or loss	–	20.6	–0.4	19.6	217.8	257.7
Carried at cost	–	–	–	47.5	–	47.5
<b>Sub-total</b>	<b>252.7</b>	<b>155.1</b>	<b>115.4</b>	<b>67.1</b>	<b>217.8</b>	<b>808.1</b>
<b>Realised losses on disposals and book losses</b>						
Investment property	–125.3	–	–	–	–	–125.3
Held to maturity <sup>1</sup>	–	–	–21.8	–	–	–21.8
Available for sale	–	–29.7	–90.1	–	–	–119.8
Recognised at fair value through profit or loss	–	–2.9	–0.8	–	–343.3	–347.0
Carried at cost	–	–	–	–0.8	–	–0.8
<b>Sub-total</b>	<b>–125.3</b>	<b>–32.7</b>	<b>–112.7</b>	<b>–0.8</b>	<b>–343.3</b>	<b>–614.8</b>
<b>Impairment losses recognised in profit or loss</b>						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–43.4	–4.6	–	–	–48.0
Carried at cost	–	–	–	–0.6	–	–0.6
<b>Reversal of impairment losses recognised in profit or loss</b>						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–	–	–	–	–
Carried at cost	–	–	–	0.4	–	0.4
<b>Sub-total</b>	<b>–</b>	<b>–43.4</b>	<b>–4.6</b>	<b>–0.2</b>	<b>–</b>	<b>–48.2</b>
<b>Total realised gains and losses on investments</b>	<b>127.3</b>	<b>79.0</b>	<b>–1.8</b>	<b>66.1</b>	<b>–125.5</b>	<b>145.1</b>

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.

## NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

	Disposal groups		Non-current assets	
	31.12.2018	30.6.2019	31.12.2018	30.6.2019
CHF million				
Property, plant and equipment	-	-	-	-
Intangible assets	-	-	-	-
Investment property	-	193.9	-	-
Financial assets	-	-	-	-
Other investments	-	-	-	-
Receivables	-	-	-	-
Other assets	-	-	-	-
<b>Total assets</b>	-	193.9	-	-
Technical reserves	-	-	-	-
Liabilities arising from banking business and financial contracts	-	-	-	-
Other financial obligations	-	-	-	-
Other liabilities	-	12.6	-	-
<b>Total liabilities</b>	-	12.6	-	-
<b>Unrealised losses directly associated with non-current assets and disposal groups classified as held for sale</b>	-	-	-	-

On 1 September 2019, Baloise intends to transfer 20 properties held by Baloise Insurance Ltd and Baloise Life Ltd to the Swiss Property Fund, a real-estate fund for institutional investors in Switzerland.

## DETERMINING FAIR VALUE

### Hierarchy levels

The fair value of financial instruments classed as “available for sale” and “recognised at fair value through profit or loss” is determined by reference to quoted market prices, provided they are available. 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).

The fair value calculation is divided into the following three hierarchy levels:

► **Fair value determined by publicly listed 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 to a very minor degree), either because it is not available or because it does not permit any reliable conclusions to be drawn with regard to fair value.

### Details of the methods used to measure Level 2 and Level 3 financial instruments

The following table 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
<b>Level 2</b>		
Financial assets of an equity nature		
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 assets of a debt nature		
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
	Net asset value	n. a.
Mortgages and loans		
Carried at cost	Present-value model	Interest rate, credit spread
At fair value through profit or loss	Present-value model	LIBOR, swap rates
Derivative financial instruments		
	Black-Scholes option pricing model	Money market interest rate, volatility, price of underlying instrument, exchange rates
	Black-76 option pricing model	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
<b>Level 3</b>		
Financial assets of an equity nature	Net asset value	n. a.
Financial assets of a debt nature	Present-value model	Interest rate, credit spread
Derivative financial instruments	Multiples-based method	n. a.

### **Determining the fair value of financial instruments 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 at the level of 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 assets of an equity nature 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 minority 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 on a debt nature 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.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

31.12.2018	Total carrying amount	Total fair value	Level 1	Level 2	Level 3
CHF million					
<b>Assets measured on a recurring basis for own account and at own risk</b>					
Financial assets of an equity nature					
Available for sale	3,657.0	3,657.0	1,861.1	473.2	1,322.7
Recognised at fair value through profit or loss	331.3	331.3	298.8	32.5	–
Financial assets of a debt nature					
Available for sale	23,771.4	23,771.4	22,371.4	1,400.0	–
Recognised at fair value through profit or loss	24.8	24.8	24.8	–	–
Mortgages and loans					
Recognised at fair value through profit or loss	925.8	925.8	–	925.8	–
Derivative financial instruments					
	453.9	453.9	11.8	442.1	–
<b>Liabilities measured on a recurring basis for own account and at own risk</b>					
Liabilities arising from banking business and financial contracts					
Recognised at fair value through profit or loss	524.5	524.5	–	524.5	–
Derivative financial instruments					
	116.7	116.7	12.4	104.3	–
<b>Assets measured on a recurring basis for the account and at the risk of life insurance policyholders and third parties</b>					
	12,641.1	12,641.1	11,927.7	374.3	339.1
<b>Liabilities measured on a recurring basis for the account and at the risk of life insurance policyholders and third parties</b>					
	11,093.1	11,093.1	10,982.4	110.6	–



FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

30.6.2019	Total carrying amount	Total fair value	Level 1	Level 2	Level 3
CHF million					
<b>Assets measured on a recurring basis for own account and at own risk</b>					
Financial assets of an equity nature					
Available for sale	3,984.7	3,984.7	2,054.5	455.7	1,474.6
Recognised at fair value through profit or loss	333.2	333.2	295.6	37.7	–
Financial assets of a debt nature					
Available for sale	25,300.0	25,300.0	23,803.2	1,496.8	–
Recognised at fair value through profit or loss	23.3	23.3	23.3	–	–
Mortgages and loans					
Recognised at fair value through profit or loss	1,046.0	1,046.0	–	1,046.0	–
Derivative financial instruments	502.3	502.3	4.5	497.8	–
<b>Liabilities measured on a recurring basis for own account and at own risk</b>					
Liabilities arising from banking business and financial contracts					
Recognised at fair value through profit or loss	569.8	569.8	–	569.8	–
Derivative financial instruments	211.8	211.8	32.2	175.8	3.8
<b>Assets measured on a recurring basis for the account and at the risk of life insurance policyholders and third parties</b>	13,511.7	13,511.7	12,763.3	420.1	328.3
<b>Liabilities measured on a recurring basis for the account and at the risk of life insurance policyholders and third parties</b>	11,927.3	11,927.3	11,811.2	116.1	–

**FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE ON A RECURRING BASIS  
FOR OWN ACCOUNT AND AT OWN RISK AND CLASSIFIED AS LEVEL 3**

	Financial instruments with characteristics of equity	Derivative financial instruments (liabilities)	Total
<b>2018</b>	Available for sale		
CHF million			
<b>Assets and liabilities measured on a recurring basis</b>			
Balance as at 1 January	1,206.5	–	1,206.5
Additions	225.0	–	225.0
Additions arising from change in the scope of consolidation	–	–	–
Additions arising from change in the percentage of shareholding	–	–	–
Disposals	–144.8	–	–144.8
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	–	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	–	–	–
Changes in fair value recognised in profit or loss <sup>1</sup>	–1.9	–	–1.9
Changes in fair value not recognised in profit or loss	64.4	–	64.4
Exchange differences	–26.6	–	–26.6
<b>Balance as at 31 December</b>	<b>1,322.7</b>	<b>–</b>	<b>1,322.7</b>
<b>Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss</b>	<b>1.0</b>	<b>–</b>	<b>1.0</b>

<sup>1</sup> 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.

**FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE ON A RECURRING BASIS  
FOR OWN ACCOUNT AND AT OWN RISK AND CLASSIFIED AS LEVEL 3**

	Financial instruments with characteristics of equity	Derivative financial instruments (liabilities)	Total
<b>2019</b>	Available for sale		
CHF million			
<b>Assets and liabilities measured on a recurring basis</b>			
Balance as at 1 January	1,322.7	–	1,322.7
Additions	134.2	–	134.2
Additions arising from change in the scope of consolidation	–	–	–
Additions arising from change in the percentage of shareholding	–	–	–
Disposals	–46.8	–	–46.8
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	–	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	–	–	–
Changes in fair value recognised in profit or loss <sup>1</sup>	38.2	–	38.2
Changes in fair value not recognised in profit or loss	31.3	–3.8	27.5
Exchange differences	–5.0	–	–5.0
Balance as at 30 June	1,474.6	–3.8	1,470.8
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	–4.8	–	–4.8

<sup>1</sup> 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 financial instruments from Level 1 to Level 2 and vice versa

Financial instruments 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 delisted. Financial instruments are reclassified from Level 2 to Level 1 for the exact opposite reasons.

No financial instruments for own account and at own risk were reclassified from Level 1 to Level 2 or vice versa during the reporting period.

### Reclassification of financial instruments to and from Level 3

No financial instruments for own account and at own risk were reclassified during the reporting period.

#### FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

	31.12.2018		30.06.2019	
	Total carrying amount	Total fair value	Total carrying amount	Total fair value
CHF million				
<b>Assets</b>				
Financial assets of a debt nature				
Held to maturity	8,002.5	9,353.8	7,743.8	9,506.9
Mortgages and loans				
Carried at cost	15,470.5	16,216.3	15,757.5	16,819.2
Receivables from financial contracts				
Carried at cost	-	-	-	-
Other receivables				
Carried at cost	325.7	327.9	344.7	345.8
Receivables from investments				
Carried at cost	406.9	406.9	330.8	330.8
<b>Liabilities</b>				
Liabilities arising from banking business and financial contracts				
Measured at amortised cost	6,997.5	7,082.6	7,270.4	7,439.4
Financial liabilities <sup>1</sup>	1,744.5	1,822.1	1,770.3	1,866.7

<sup>1</sup> Excluding leasing liabilities.

## GAINS OR LOSSES ON FINANCIAL CONTRACTS

	1 <sup>st</sup> half	1 <sup>st</sup> half
	2018	2019
CHF million		
<b>With discretionary participation features (DPF)</b>		
Financial contracts with discretionary participation features (DPF)	- 23.4	- 26.3
<b>Sub-total</b>	<b>- 23.4</b>	<b>- 26.3</b>
<b>Measured at amortised cost</b>		
Interest on loans	0.0	0.0
Interest due	- 5.1	- 4.9
Interest arising from banking business	- 4.8	- 0.3
Interest expenses arising from repurchase agreements	4.0	0.3
Acquisition costs arising from banking business	- 10.4	- 3.3
Interest expenses arising from bonds	-	-
Expenses arising from financial contracts	- 6.1	- 5.0
<b>Sub-total</b>	<b>- 22.4</b>	<b>- 13.3</b>
<b>Designated as at fair value through profit or loss</b>		
Change in fair value of bonds	-	-
Change in fair value of other financial contracts	170.4	- 788.9
<b>Sub-total</b>	<b>170.4</b>	<b>- 788.9</b>
<b>Total gains or losses on financial contracts</b>	<b>124.6</b>	<b>- 828.5</b>
<b>Of which: gains on interest-rate hedging instruments</b>		
Interest-rate swaps: cash flow hedges; balance carried forward from cash flow hedge reserves	-	-
Interest-rate swaps: fair value hedges	-	-
<b>Total gains on interest-rate hedging instruments</b>	<b>-</b>	<b>-</b>

## ACQUISITION AND DISPOSAL OF COMPANIES

On 29 April 2019, Baloise acquired 66.7 per cent of the shares in the Swiss online laundry and dry cleaning start-up Bubble Box AG, thereby expanding its “Home” ecosystem. Baloise has an option to buy the remaining shares, which is why the company has been fully consolidated. The purchase price is likely to come to a total of just under CHF 4 million. The purchase price allocation has not yet been completed. It will primarily be intangible assets that are acquired.

## INCOME TAXES

The cantonal lowering of income tax rates for companies in Switzerland, which was decided upon in the first half of 2019, reduced the tax burden and resulted in lower deferred tax rates for the Baloise companies whose registered office is in Switzerland. In the half-year financial statements, the individual reductions led to non-recurring deferred tax income totalling CHF 127.7 million, the majority of which was attributable to the Switzerland segment. Further cantonal tax law amendments are expected in the future and will have a small positive impact on deferred tax income.

	1 <sup>st</sup> half	1 <sup>st</sup> half
	2018	2019
CHF million		
Current income taxes	- 46.3	- 43.6
Deferred income taxes	- 25.6	98.5
<b>Total income taxes</b>	<b>- 71.9</b>	<b>54.9</b>

## EARNINGS PER SHARE

	1 <sup>st</sup> half	1 <sup>st</sup> half
	2018	2019
Profit for the period (attributable to shareholders) (CHF million)	269.7	395.0
Average number of shares outstanding	47,198,966	46,442,629
<b>Basic earnings per share (CHF)</b>	<b>5.71</b>	<b>8.50</b>

	1 <sup>st</sup> half	1 <sup>st</sup> half
	2018	2019
Profit for the period (attributable to shareholders) (CHF million)	269.7	395.0
Average number of shares outstanding	47,198,966	46,442,629
Adjustment due to potential exercise of share-based payment plans	60,313	65,000
Adjustment due to potential exercise of put options	–	– 183
<b>Adjusted average number of shares outstanding</b>	<b>47,259,279</b>	<b>46,507,446</b>
<b>Diluted earnings per share (CHF)</b>	<b>5.71</b>	<b>8.49</b>

The dilution of earnings was attributable to the Performance Share Units (PSU) share-based payment plan.

### **RELATED PARTY TRANSACTIONS**

Compared with the detailed information on related party transactions published in the 2018 annual report, there are no events of relevance to the reporting period.

There were no other material changes in either nature or scope during the reporting period.

### **CONTINGENT AND FUTURE LIABILITIES**

The first half of 2019 did not reveal any facts that would require material amendments to be made to the pertinent disclosures contained in the annual report for the year ended 31 December 2018.

### **EVENTS AFTER THE BALANCE SHEET DATE**

On 16 July 2019, the Baloise Group acquired all of the voting rights in Belgian multi-sector insurer Fidea NV for around EUR 480 million. Baloise thereby strengthened its position in the non-life and life businesses. The acquisition increased Baloise's share of the attractive non-life business in Belgium by 1.7 percentage point to 8.5 per cent, taking it a step closer to becoming one of the top four non-life insurers in the Belgian market. In the life business, the acquisition will increase market share by 0.7 percentage points to 4.2 per cent. Fidea reported premiums of around EUR 302 million for 2018 (based on local accounting standards), more than two-thirds of which came from the non-life business.

The purchase price allocation was not yet available at the time these financial statements were published. Detailed disclosures, particularly of the fair values of the consideration transferred, will be provided in the second half of the year.



# Further information

## FINANCIAL CALENDAR AND CONTACTS

**28.08.2019** [Half-year financial results](#)  
Conference call for analysts and the media  
Publication of the 2019 half-year report

**13.11.2019** [Q3 interim statement](#)

**12.03.2020** [Annual financial results](#)  
Media conference  
Conference call for analysts

**26.03.2020** [Annual report](#)  
Publication of the 2019 annual report

**24.04.2020** [Annual General Meeting](#)  
Baloise Holding Ltd

**27.08.2020** [Half-year financial results](#)  
Conference call for analysts and the media  
Publication of the 2020 half-year report

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## GENERAL INFORMATION ON THE HALF-YEAR REPORT

The sole purpose of this publication is to provide a review in summarised form of the operating performance of Baloise for the period indicated. To this end, the publication also draws on external sources of information (including data). Baloise neither guarantees nor does it recognise the accuracy of such information. Furthermore, this publication may contain forward-looking statements that include forecasts or predictions of future events, plans, goals, business developments and results and are based on Baloise's current expectations and assumptions. These forward-looking statements should be noted with due caution because they inherently contain both known and unknown risks, are subject to uncertainty and may be adversely affected by other factors. Consequently, business performance, results, plans and goals could differ substantially from those presented explicitly or implicitly in these forward-looking statements. Factors that could influence actual outcomes include, for example, (i) changes in the overall state of the economy, especially in key markets; (ii) financial market performance; (iii) competitive factors; (iv) changes in interest rates; (v) exchange rate movements; (vi) changes in the statutory and regulatory framework, including accounting standards; (vii) frequency and magnitude of claims as well as trends in claims history; (viii) mortality and morbidity rates; (ix) renewal and expiry of insurance policies; (x) legal disputes and administrative proceedings; (xi) departure of key employees; and (xii) negative publicity and media reports. This list is not considered exhaustive. Baloise accepts no obligation to update or revise forward-looking statements in order to take into consideration new information, future events, etc. Past performance is not indicative of future results.

Amounts and ratios shown in this half-year report are generally stated in millions of Swiss francs (CHF million) and rounded to one decimal place. Consequently, the sum total of amounts that have been rounded may in some cases differ from the rounded total shown in this report.

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This publication is also available in German. Only the German text is legally binding. This half-year report will also be available on the internet at [www.baloise.com/half-year-report](http://www.baloise.com/half-year-report) from 28 August 2019.



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