Baloise Group

HALF-YEAR REPORT

2022

Baloise Group
Half-Year Report 2022

Contents

Baloise key figures

	30.6.2021	31.12.2021	30.6.2022	Change (%)
CHF million				
Business volume				versus 30.6.21
Gross premiums written (non-life)	2,617.3	4,063.4	2,587.1	– 1.2
Gross premiums written (life)	2,220.8	3,389.7	2,069.8	– 6.8
Sub-total of IFRS gross premiums written [1]	4,838.1	7,453.1	4,656.9	– 3.7
Investment-type premiums	1,047.2	2,138.0	786.8	– 24.9
Total business volume	5,885.3	9,591.1	5,443.6	– 7.5
Operating profit (loss)				versus 30.6.21
Consolidated profit / loss for the period before borrowing costs and taxes				
Non-life	166.2	303.9	162.1	– 2.5
Life [2]	194.6	406.7	178.5	– 8.3
Asset Management & Banking	42.3	82.5	38.8	– 8.3
Other activities	– 37.6	– 70.5	– 25.6	– 31.9
Consolidated profit for the period	300.2	583.3	285.6	– 4.9
Profit (attributable to the shareholders)	302.3	588.4	287.1	– 5.0
Balance sheet				versus 31.12.21
Technical reserves	50,302.6	48,661.4	46,078.5	– 5.3
Equity	7,100.8	7,299.9	5,021.0	– 31.2
Ratios (per cent)				
Gross combined ratio (non-life)	90.5	99.3	91.5	–
Net combined ratio (non-life)	92.3	92.6	91.9	–
Key figures on the Company's shares				versus 31.12.21 [3]
Shares issued (units)	48,800,000	45,800,000	45,800,000	0.0
Basic earnings per share [4] (CHF)	6.71	13.06	6.36	– 5.2
Diluted earnings per share [4] (CHF)	6.71	13.05	6.35	– 5.4
Equity per share [4] (CHF)	157.2	161.7	110.8	– 31.5
Closing price (CHF)	144.30	149.10	155.90	4.6
Market capitalisation (CHF million)	7,041.8	6,828.8	7,140.2	4.6

1 Premiums written and policy fees (gross).
2 Of which deferred gains / losses from other operating segments:
30 June 2021 CHF –1.9 million / 31 December 2021 CHF –2.5 million / 30 June 2022 CHF –2.5 million.
3 Changes in earnings per share compared with 30 June 2021.
4 Calculation is based on the profit for the period attributable to shareholders and the equity attributable to shareholders.

Letter to shareholders

Dr Thomas von Planta
Chairman of the Board of Directors

Gert De Winter
Group CEO

DEAR SHAREHOLDERS,

Baloise has made a solid start to the Simply Safe: Season 2 strategic phase, with profit attributable to shareholders of CHF 287.1 million in the first half of 2022 (H1 2021: CHF 302.3 million). In spite of the challenging overall market conditions, all national Baloise companies contributed to this stable result. The net combined ratio in the non-life business rose to 91.9 per cent, a small year-on-year improvement of 0.4 percentage points that reflects our strong operational profitability. However, unfavourable capital market movements, negative currency effects and a severe winter storm in Belgium created headwinds. The total volume of business in the first half of the year came to CHF 5.4 billion, a fall of 7.5 per cent compared with the first six months of 2021. This was mainly attributable to currency effects, lower investment-type premiums and a decline in the life insurance business, where we continue to pursue a selective underwriting policy, especially in the Swiss group life business.

For the Simply Safe: Season 2 strategic phase that has now commenced, we have set ourselves even more ambitious targets than for the first phase. We are aiming to establish ourselves among the top 5 per cent of the best companies to work for in Europe, to gain 1.5 million new customers within four years and to generate CHF 2 billion in cash for our holding company. As we enter Simply Safe: Season 2, we are also setting the course for the future of Baloise, for example with regard to embedding sustainability in our business processes. Under our sustainability strategy, we are considering aspects such as the types of risk for which we can and should offer insurance cover in the future. This approach also serves to protect our operational profitability over the long term. One of our objectives in this field is to support our customers on their individual journey towards more sustainable practices. In addition, the launch of our carbon accounting project lays the foundation for a net-zero target that we intend to adopt by next year. Last but not least, we seek to ensure compliance with all upcoming sustainability disclosure requirements at European and Swiss level in order to continually improve transparency for our stakeholders.

Moreover, Baloise elected a new Board of Directors in the first half of 2022. At the Annual General Meeting in May, lic. oec. HSG Claudia Dill and Dr. sc. nat. ETH Maya Bundt were elected as new members of the Board of Directors. The two new members bring strong insurance expertise and digital skills to the board and add younger, female voices to its composition. At a strategic level, we are also well positioned to tackle the challenges of the future.

Here, Baloise can build on its existing strengths. Our foundations remain very robust, as evidenced by the fact that the ratio determined by the Swiss Solvency Test is expected to be around 230 per cent as at the end of the first half of 2022 and thus higher than at the start of the year. In addition, Standard & Poor's has confirmed its rating of A+ with a stable outlook for the Baloise Group. Standard & Poor's awarded this credit rating in recognition of Baloise's excellent capitalisation – which is comfortably above the AAA level according to the S&P capital model – as well as its high operational profitability, well-founded risk management and solid competitive position in its profitable core markets. At CHF 5,021.0 million, consolidated equity was lower at the end of the first half of 2022 than it had been at the end of the prior-year period (30 June 2021: CHF 7,100.8 million). This decline was attributable to the significant rise in interest rates in the reporting period, which led to downward adjustments of the valuation of fixed-income investments.

> "As we enter Simply Safe: Season 2, we are also setting the course for the future of Baloise."

The second half of 2022 will bring fundamental changes in the way in which Baloise presents itself in its core markets. Going forward, we will use Baloise as a single brand name in all markets. This consistent brand image encapsulates the core concept of Baloise's Simply Safe: Season 2 strategy and also provides a visual representation of our strategic journey.

Based on our solid half-year financial results, our operating performance and the ongoing implementation of our Simply Safe: Season 2 strategic phase, we are confident that we will be able to maintain our long-standing, attractive dividend policy.

Basel, August 2022

Dr Thomas von Planta
Chairman of the
Board of Directors

Gert De Winter
Group CEO

Baloise achieves solid financial results for the first half of 2022 as it enters a new strategic phase

PROFIT, BUSINESS VOLUME AND CAPITALISATION

Profit

Baloise delivered solid results for the first half of 2022. Operational profitability remained high, but faced headwinds from volatile capital markets, the depreciation of the euro against the Swiss franc and a severe winter storm event that primarily caused damage in Belgium. Despite the challenging overall market conditions, we continued to perform at a consistently high level, achieving CHF 287.1 million in profit attributable to shareholders (H1 2021: CHF 302.3 million). The main performance drivers alongside our operational strength were increases in real estate valuations and profit on claims reserves. All national Baloise companies generated positive profit contributions. EBIT was down by 3.2 per cent year on year at CHF 353.8 million (H1 2021: CHF 365.5 million). The figure for the prior-year period had been boosted significantly by exceptionally strong performance in the financial markets.

Business volume

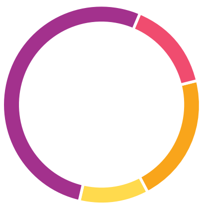
Following robust growth in the prior-year period, the volume of business fell by 7.5 per cent in the first half of 2022 to CHF 5,443.6 million (H1 2021: CHF 5,885.3 million). This was attributable to lower levels of investment-type premiums written and a restrictive underwriting policy in the traditional life insurance business in Switzerland. The depreciation of the euro against the Swiss franc was an additional drag on business volume. In local currency terms, the decrease was more moderate (4.9 per cent).

Adjusted for currency effects, all business units achieved healthy growth in the attractive non-life business.

**BUSINESS VOLUME 2022 (GROSS)
BY STRATEGIC BUSINESS UNIT**

Per cent, first half of the year

Switzerland	52.5
Germany	14.8
Belgium	21.0
Luxembourg	11.1



Capitalisation and equity

Despite the challenging environment, Baloise's capitalisation remained strong in the first half of the year. As at 30 June 2022, the Swiss Solvency Test (SST) ratio was around 230 per cent. This means that Baloise's capital strength has improved in the year to date (1 January 2022: 220 per cent).

On 15 June 2022, Standard & Poor's (S&P) confirmed its rating of A+ for the Baloise Group.

Consolidated equity declined in line with expectations in the first half of 2022 due to the sharp rise in interest rates, standing at CHF 5,021.0 million at 30 June 2022 (31 December 2021: CHF 7,299.9 million). Substantial interest rate increases in the first half of 2022 led to downward adjustments to the valuation of fixed-income investments. In recent years, equity had grown continuously as a result of falling interest rates. This effect was inverted in the first half of 2022 as interest rates were raised.

CORE INSURANCE BUSINESS

Non-life division: solid growth in all markets (adjusted for currency effects) and improved profitability

Adjusted for currency effects, the volume of premiums in the non-life business increased by 2.3 per cent in the first half of 2022. Translated into Swiss francs, the volume of premiums fell slightly (down by 1.2 per cent) to CHF 2,587.1 million (H1 2021: CHF 2,617.3 million). All national Baloise companies contributed to this stable organic growth.

The premium volume in Switzerland amounted to CHF 1,086.5 million, up by a solid 1.8 per cent compared with the prior-year period (H1 2021: CHF 1,067.2 million).

The non-life business in Germany achieved very healthy growth of 6 per cent in its premium volume in local currency terms. In Swiss francs, the figure was on a par with the prior-year period at CHF 517.9 million (H1 2021: CHF 518.3 million).

The Belgian business recorded slight growth of 0.6 per cent year on year in local currency terms. This translated to a fall in premium volume of 5.2 per cent in Swiss francs, to CHF 859.4 million (H1 2021: CHF 906.5 million).

Business in Luxembourg grew by an encouraging 2.2 per cent in local currency terms. Translated to Swiss francs, this meant a fall in premium volume of 3.7 per cent to CHF 87.1 million (H1 2021: CHF 90.4 million).

EBIT in the non-life business was on a par with the prior-year period at CHF 162.1 million (H1 2021: CHF 166.2 million). This was despite the fact that EBIT was impacted by a winter storm this year that mainly caused damage in Belgium.

Nevertheless, profitability in the non-life business remained very strong, which highlights the high quality of Baloise's non-life portfolio. The net combined ratio here stood at 91.9 per cent compared with 92.3 per cent in the first half of 2021. This gain in margin of 0.4 percentage points was attributable to improvements in claims settlements and lower net claims incurred relative to the prior-year period.

COMBINED RATIO NET PERFORMANCE

Per cent, first half of the year

Baloise's portfolio in Switzerland is the most profitable with an excellent net combined ratio of 88.7 per cent. The normalisation in the incidence of large claims in connection with adverse weather events produced a favourable year-on-year effect here (H1 2021: 91.2 per cent).

In Germany, Baloise was able to improve its net combined ratio to a very good level of 91.0 per cent (H1 2021: 92.7 per cent). On 15 August 2022, it was announced that the run-off portfolio for hospital liability insurance that forms part of the German business is in the process of being sold. No new business has been taken on in this portfolio since 2018. The sale encompasses the entire hospital liability insurance portfolio of Basler Sachversicherungs-AG in Germany, with reserves of around EUR 200 million. The sale is expected to be closed in the second half of 2022.

The net combined ratio of the Belgian business was adversely affected by a winter storm, among other factors, resulting in a rise of 1.4 percentage points to 93.9 per cent (H1 2021: 92.5 per cent).

In Luxembourg, the net combined ratio improved significantly to 91.7 per cent (H1 2021: 96.7 per cent). In the prior-year period, higher losses on claims reserves had weighed on the margin in the non-life business. The ratio can thus be considered to have normalised again in the first half of 2022.

Life division: excellent profit contribution

The life insurance business was also robust despite turbulent financial market conditions in the first half of the year. The volume of business in the segment fell to CHF 2,856.6

ASSET ALLOCATION IN INSURANCE [1]

	31.12.2021			30.6.2022		
	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	1,008.6	7,443.9	8,452.6	980.0	7,392.0	8,372.0
Equities	1,136.4	2,787.0	3,923.4	1,057.4	2,751.2	3,808.6
Alternative financial assets	347.0	889.9	1,236.9	413.2	914.3	1,327.6
Fixed-income securities	5,697.3	29,074.3	34,771.6	5,227.0	25,392.9	30,619.9
Mortgage assets	465.5	3,847.0	4,312.5	468.0	3,805.7	4,273.7
Policy loans and other loans	1,575.1	4,243.8	5,818.9	1,688.1	3,536.4	5,224.5
Derivative financial instruments	21.1	548.3	569.5	53.1	633.0	686.1
Cash and cash equivalents	342.7	693.9	1,036.5	255.9	710.9	966.7
Total	10,593.7	49,528.2	60,121.9	10,142.7	45,136.4	55,279.1

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

million (H1 2021: CHF 3,268.0 million), mainly due to lower volumes in the Swiss group life insurance business and lower investment-type premiums.

Gross premiums written in the traditional life business declined by 6.8 per cent to CHF 2,069.8 million (H1 2021: CHF 2,220.8 million) due to the selective underwriting policy. In local currency terms, the decrease was 5.9 per cent.

Gross premiums in the Swiss business amounted to CHF 1,726.9 million, down by a total of 8.1 per cent compared with the prior-year period (H1 2021: CHF 1,879.4 million) as a result of the aforementioned effects in the group life business. The Perspectiva collective foundation recorded strong growth. Around 360 new company agreements covering more than 800 employees were concluded in the reporting period. This constitutes a significant improvement on the foundation's already very positive performance in 2021.

Adjusted for currency effects, the German life business reported encouraging growth with a 2.5 per cent increase in gross premiums written. Translated into Swiss francs, gross premiums reduced by 3.3 per cent to CHF 192.7 million (H1 2021: CHF 199.3 million).

The Belgian business reported strong growth in gross premiums written. In local currency terms, the increase was 16.9 per cent. In Swiss francs, gross premiums went up by 10.2 per cent to reach CHF 101.5 million (H1 2021: CHF 92.1 million).

Gross premiums written in Luxembourg increased by 3.2 per cent in local currency terms, which equated to a slight drop of 2.6 per cent in Swiss francs, to CHF 48.7 million (H1 2021: CHF 50.0 million).

Following strong growth in the business with investment-type premiums in the prior-year period thanks to upbeat capital market conditions, the first half of 2022 saw pressure on sales of these products due to weakness in the markets in connection with geopolitical tensions, inflation and fears of recession. At CHF 786.8 million, the volume of investment-type premiums was significantly down year on year (H1 2021: CHF 1,047.2 million).

EBIT attributable to the life business was boosted by higher interest rates and came to a very healthy CHF 178.5 million in the first half of the year (H1 2021: CHF 194.6 million). In the prior-year period, the strong performance of the capital markets had a positive effect on EBIT. Market volatility and lower levels of realised gains on investments led to a fall in earnings. The business mix in the life business continued to improve as part of measures to optimise the core business.

The interest margin improved slightly compared with the end of 2021, rising by 3 basis points to 111 basis points (2021: 108 basis points).

More favourable interest rate conditions meant that the new business margin in the life business increased a little to 50.1 per cent (H1 2021: 47.6 per cent).

ASSET MANAGEMENT & BANKING

Geopolitical uncertainty and concerns about inflation shaped the macroeconomic environment and market conditions in the first half of 2022. The central banks phased out their long-standing asset purchase programmes and started to raise interest rates. In response, yields in the bond markets soared. After spending the past three years firmly in negative territory, yields on ten-year Swiss government bonds climbed above 1 per cent in the first half of 2022. The associated higher financing costs and uncertainty triggered double-digit percentage losses in the equity markets and caused corporate bond spreads to widen again.

Insurance assets: solid investment yield in a volatile market environment

The gains on the investment of insurance assets amounted to CHF 544.3 million, which was below the figure for the prior-year period of CHF 649.2 million. Current income stabilised significantly as a result of further reallocations from bonds to private debt and was down only slightly year on year at CHF 548.3 million (H1 2021: CHF 556.7 million).

At CHF 179.5 million, the gains recognised in the income statement were at a similar level to the prior-year period (H1 2021: CHF 177.2 million). Gains on the valuation of properties were CHF 63.0 million higher than in the first half of 2021, amounting to CHF 154.2 million. Impairment losses were up by CHF 65.9 million year on year and were mainly attributable to adverse equity market movements.

Higher currency hedging costs and the depreciation of the euro against the Swiss franc caused an additional year-on-year reduction in profit of CHF 39.2 million.

The return on insurance investments dropped from 1.1 per cent in the prior-year period to 0.9 per cent in the first half of 2022. Unrealised gains fell by CHF 4.5 billion due to significantly higher interest rates and the correction in the equity markets. The rate of return on insurance assets according to IFRS – which includes unrealised net gains and losses on investments but excludes gains and losses on held-to-maturity debt instruments – was minus 6.8 per cent, representing a decrease on the 0.4 per cent rate of return according to IFRS in H1 2021.

Stable returns despite lower investment volumes

As at 30 June 2022, the total assets under the management of Baloise Asset Management stood at CHF 57.6 billion, a decrease of 12.3 per cent in the year to date (31 December 2021: CHF 65.7 billion). This reduction was primarily due to rising interest rates and the resulting lower value of the bond portfolio in respect of insurance assets. However, income from fees remained on a par with the prior-year period.

Business with external customers continued to grow

Net new assets in the business with external customers amounted to CHF 712.8 million in the first half of 2022, a year-on-year increase of 41 per cent. Assets under management declined by 6.1 per cent, from CHF 13.4 billion to CHF 12.7 billion, owing to market conditions.

Baloise continues to pursue its strategy for external customers with a focus on selling flagship investment strategies. Two bond strategies, one low-carbon equity strategy and one private market strategy for debt finance of infrastructure were launched for institutional investors. Mixed funds in the retail segment weathered the challenging capital market conditions well in accordance with their risk profiles.

The further growth of asset management mandates at Baloise Bank SoBa also contributed to net new assets. Personal advice and customised investment strategies helped to further expand the volume of business in spite of high levels of stock market volatility. In the reporting period, the business saw a 14 per cent increase in asset management mandates and investment advice mandates, and the volume of managed assets grew by CHF 184.8 million in the first half of 2022.

The real estate asset class contributed to the positive performance of business with external customers. In the first half of the 2021/2022 financial year, the Baloise Swiss Property Fund (BSPF), which has been listed on the SIX Swiss Exchange since November 2021, reported an increase in rental income (gross earnings). The fund portfolio was further diversified through a transaction in the healthcare sector.

Following the successful placement of Baloise Holding's first green bond in the previous financial year, another green bond was issued in July of the current year for the purpose of financing properties that have been awarded sustainability certificates. In this context, Baloise also published its first green bond report, which shows that the greenhouse gas emissions of the properties being (re)financed with the capital from the green bond placements are 606 tonnes of CO_2 equivalents per year lower than those of a comparable reference portfolio at the time of reporting, thanks to the properties' energy efficiency specifications.

Ongoing development of the investment process for sustainable investing

Baloise Asset Management is a key contributor to the sustainability strategy of the Baloise Group. In the reporting period, strong emphasis was placed on the ongoing development of the investment methodology, with the aim of adapting the Baloise Responsible Investment Policy (RI Policy) to our growing ambitions in the field of sustainability and ensuring that it complies with Swiss and European regulatory requirements. In 2021, we adopted the Baloise active ownership strategy, which helps us to harness our financial strength in order to better manage ESG risk at the companies in which we are invested and to achieve positive change at the same time. In the first half of 2022, we published our first report on activities in this area, the 2021 Baloise Active Ownership Report. Over the course of the current year, active ownership activities will be further intensified. Public policy engagement will also remain an important aspect, for example in the form of our renewed participation in the Paris Agreement Capital Transition Assessment (PACTA) in Switzerland.

ECOSYSTEMS & INNOVATION

The expansion of the **Home and Mobility ecosystems** was driven forward at a rapid pace in the reporting period.

The strategic partnership with UBS in the Home ecosystem was intensified. Mortgages for owner-occupied properties are being offered across Switzerland via the UBS mortgage platform key4 in collaboration with general agents of Baloise. In addition, customers can use this platform to obtain advice from Baloise on their insurance needs.

The partnership with Houzy, a platform for residential property owners, also grew closer in the first half of 2022. Baloise acts as the exclusive insurance partner for this collaboration. As a new offering, Baloise now provides a home insurance check via this rapidly growing platform. The goal of the check is to show customers what insurance products they would need as potential property buyers or home owners. It also gives users an initial indication of likely premium costs and offers them the option to contact Baloise for advice. Moreover, Baloise customers benefit from access to exclusive deals within the Home and Mobility ecosystems.

In March, Baloise Germany announced that it was investing in the start-up firm independesk in order to be involved in the development of viable solutions for topics such as hybrid working and desk sharing, which are highly relevant for employers. Taking out an account with independesk enables companies to implement customised hybrid work strategies. For example, employees are allocated a monthly personal independesk budget that they can use to access workspaces in their area. Employers can keep an eye on things at all times and can see exactly who is working where. They can also manage their own workspaces on this platform, making them available to their own employees or potentially renting them out to other independesk users by the hour or by the day. The benefits are obvious: employers do not need to have a dedicated workplace for each employee and employees have the freedom to choose where they want to work on any given day, allowing them to shorten their commute. This takes traffic off the road and thus reduces carbon emissions.

In March, we announced the addition of MOBIKO to our **Mobility ecosystem**. The Munich-based company provides a digital platform that allows employers to manage the travel needs of their employees, who receive a flexible monthly travel budget that they can use according to their individual requirements. Employers receive a digital tool for managing employee travel that automatically ensures compliance with tax regulations, while also promoting sustainable travel choices. This allows companies to make an active impact on their CO_2 emissions and reduce corporate travel costs.

For employees, MOBIKO means that they have global access to any available mode of transport or travel service – both for travelling to and from work and during their leisure time. This includes the use of subscription models for cars as well as bicycle leasing. The costs are conveniently invoiced through an app.

Baloise's digital insurer **FRIDAY** expanded its existing home contents insurance product for apartments in France in March 2022 to include additional target groups such as owners and tenants of houses and non-occupying owners (propriétaires non occupants, PNO). In Germany, FRIDAY is marketing its home contents insurance products and running a campaign focused on electric-powered transport (helping owners of electric vehicles to earn a premium by selling their emission allowances). In addition, it launched a personal liability insurance product that is initially being offered through the Check24 price comparison platform, before being rolled out for direct marketing and for marketing via brokers. The market environment in the automotive sector, however, remains challenging due to price pressures and supply chain disruption.

An overview of the innovative projects launched at Baloise since the start of Simply Safe can be found here: www.baloise.com/innovations

OUTLOOK

Following the successful completion of the Simply Safe strategic programme, Baloise has made an energetic start to the Simply Safe: Season 2 phase, which runs from 2022 to 2025. The figures for the first six months show that Baloise is on track.

The targets that we have set ourselves for 2025 are very ambitious. By 2025, we are aiming to be in the top 5 per cent of the best companies to work for in Europe, to have gained 1.5 million new customers and generated CHF 2 billion in cash, 60–80 per cent of which we intend to distribute as dividends.

One measure that we are taking in order to help achieve the goals of this strategic phase is the ‘oneBaloise’ rebranding project, which is currently in the final stages of preparation with a view to being launched at the end of October 2022. From this point onwards, all national Baloise companies will operate under Baloise as a single brand name and the brand identity will have been comprehensively updated in order to showcase Baloise’s unique culture even more clearly and consistently for our stakeholders.

BALOISE SHARES

After a strong recovery in the equity and credit markets in 2021, the global financial market environment in the first six months of 2022 was characterised by heightened uncertainty and substantial price crashes. This downtrend was driven primarily by geopolitical tensions in connection with the war in Ukraine, high inflation, monetary policy measures by central banks to counteract inflation, and fears of recession. In February, Russia's invasion of Ukraine marked a dramatic escalation of tensions between the two countries that plunged the commodity markets into turmoil. The prices of oil, gas and agricultural commodities such as wheat have rocketed since the beginning of the year due to the dominant positions of Russia and Ukraine in these markets. The already rapid rise of inflation rates around the world was further exacerbated as a result. Moreover, Beijing's zero-COVID policy depressed production capacity in China, the world's second biggest economy, with knock-on effects for global supply chains that further delayed any prospect of a slowdown in inflation. In order to bring inflation under control, the US Federal Reserve (Fed) implemented its first interest rate hike since 2018 in the first quarter of 2022. This 0.25 per cent base rate increase was followed by further hikes in the second quarter of 2022, reaching a range of 1.50 per cent to 1.75 per cent. Simultaneously, the Fed started to reduce its balance sheet volume by USD 47.5 billion per month from June and implemented a further interest rate increase of 0.75 per cent in July, bringing the range up to 2.25 per cent to 2.5 per cent. June also saw the Swiss National Bank raise its base rate for the first time in 15 years, taking the markets by surprise with an increase of 0.5 per cent to minus 0.25 per cent. Further interest rate increases can be expected to follow and potentially even foreign currency sales – a clear turning point for Swiss monetary policy. The European Central Bank (ECB) initially seemed reluctant to act in the first half of 2022. But in July, it followed the example of the Fed and raised its main refinancing rate by 0.5 per cent to 0.5 per cent.

The war in Ukraine, high inflation and the turnaround in interest rate policy sent equity markets into a nosedive, with some markets tumbling by more than 20 per cent compared with their most recent highs. This marked the beginning of the current bear market. At the end of the first half of 2022, the EURO STOXX 50 index was down by 19.6 per cent while the S&P 500 had shed 20.6 per cent. The Swiss Market Index (SMI) did not suffer quite as severely but still closed the six-month period with a significant loss of 16.6 per cent. At sector level, cyclical consumer goods and communications services were among the biggest losers. The global energy sector bucked the trend and reported gains of more than 20 per cent in the first half of 2022 because it benefited from rising commodity prices.

At the start of the year, spreads in the bond markets had contracted to historically low levels across nearly all sectors, mainly due to low interest rates. Over the course of the first half of 2022, the picture changed as rising interest rates, persistent global supply chain disruptions, soaring energy costs and mounting upward pressure on wages came together in a perfect storm that squeezed companies' margins and prompted a rise in risk premiums. In this context, it was noticeable that the spread differential between high-yield and investment-grade corporate bonds widened, which can be interpreted as an indication of growing uncertainty in the market.

Baloise shares* closed the first half of 2022 at CHF 155.90. This represents a gain of 4.6 per cent compared with the start of the year and marks a significant positive exception to the downward trend of the Swiss equity market as a whole (SPI: down by 15.9 per cent; SMI: down by 16.6 per cent). Baloise shares fared similarly well in comparison with their insurance sector peers, outperforming the STOXX Europe 600 Insurance Index (SXIP) by 15.6 per cent. They also beat the Swiss Exchange Supersector Insurance Index (SMINNX) by a margin of 8.9 per cent, making Baloise the best-performing stock in this index in the period under review.

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 Bâloise Holding Ltd

KEY FIGURES ON THE COMPANY'S SHARES

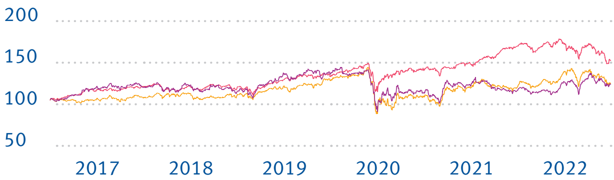
	30.6.2021	31.12.2021	30.6.2022	Change (%) versus 31.12.2021 [1]
Shares issued (units)	48,800,000	45,800,000	45,800,000	0.0
Basic earnings per share (CHF)	6.71	13.06	6.36	– 5.2
Diluted earnings per share (CHF)	6.71	13.05	6.35	– 5.4
Equity per share [2] (CHF)	157.2	161.7	110.8	– 31.5
Closing price (CHF)	144.30	149.10	155.90	4.6
Market capitalisation (CHF million)	7,041.8	6,828.8	7,140.2	4.6

1 Changes in earnings per share compared with 30 June 2021.
2 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 [1] OF BÂLOISE HOLDING LTD REGISTERED SHARES 2017–2022



1 31 December 2016 = 100

- Bâloise Namen (BALN)
- SWX SP Insurance Price Index (SMINNX)
- Swiss Performance Index (SPI)

BUSINESS VOLUMES, PREMIUMS AND COMBINED RATIO

BUSINESS VOLUMES

First half of 2021	Group	Switzerland	Germany	Belgium	Luxembourg [2]
CHF million					
Non-life	2,617.3	1,067.2	518.3	906.5	90.4
Life	2,220.8	1,879.4	199.3	92.1	50.0
Sub-total of IFRS gross premiums written [1]	4,838.1	2,946.6	717.6	998.6	140.4
Investment-type premiums	1,047.2	53.2	96.2	204.8	693.1
Total business volume	5,885.3	2,999.8	813.7	1,203.4	833.5

BUSINESS VOLUMES

First half of 2022	Group	Switzerland	Germany	Belgium	Luxembourg [2]
CHF million					
Non-life	2,587.1	1,086.5	517.9	859.4	87.1
Life	2,069.8	1,726.9	192.7	101.5	48.7
Sub-total of IFRS gross premiums written [1]	4,656.9	2,813.4	710.5	960.9	135.8
Investment-type premiums	786.8	43.5	92.6	183.5	467.1
Total business volume	5,443.6	2,856.9	803.2	1,144.4	602.9

1 Premiums written and policy fees (gross).
2 Including Baloise Life Liechtenstein.

PREMIUMS EARNED (GROSS) FIRST HALF OF THE YEAR

	Non-life		Life		Total	
	2021	2022	2021	2022	2021	2022
CHF million						
IFRS gross premiums written	2,617.3	2,587.1	2,220.8	2,069.8	4,838.1	4,656.9
Change in unearned premium reserves	– 624.5	– 614.1	–	–	– 624.5	– 614.1
Premiums earned and policy fees	1,992.7	1,973.0	2,220.8	2,069.8	4,213.5	4,042.8

NON-LIFE GROSS PREMIUMS BY SECTOR

	1st half 2021	1st half 2022	+/–%
CHF million			
Accident	322.8	311.7	– 3.4
Health	142.2	140.5	– 1.2
General liability	262.5	257.6	– 1.9
Motor	860.1	826.2	– 3.9
Property	814.4	820.7	0.8
Marine	112.4	126.3	12.4
Other	62.6	60.6	– 3.2
Inward reinsurance	40.3	43.6	8.2
Gross premiums written, non-life	2,617.3	2,587.1	– 1.2

LIFE GROSS PREMIUMS BY SECTOR

	1st half 2021	1st half 2022	+/−%
CHF million			
Business volume of single premiums	1,487.3	1,145.6	−23.0
Business volume of periodic premiums	1,780.7	1,711.0	−3.9
Investment-type premiums	−1,047.2	−786.8	−24.9
Gross premiums written (life)	2,220.8	2,069.8	−6.8

NET COMBINED RATIO

First half of 2021	Group	Switzerland	Germany	Belgium	Luxembourg
As a percentage of premiums earned					
Claims ratio [1]	60.5	64.4	57.4	58.7	63.9
Expense ratio	31.8	26.8	35.3	33.8	32.8
Combined ratio	92.3	91.2	92.7	92.5	96.7

First half of 2022	Group	Switzerland	Germany	Belgium	Luxembourg
As a percentage of premiums earned					
Claims ratio [1]	59.7	62.6	55.5	59.3	57.7
Expense ratio	32.2	26.1	35.5	34.6	34.0
Combined ratio	91.9	88.7	91.0	93.9	91.7

1 Including profit-sharing ratio.

GROSS AND NET COMBINED RATIOS FIRST HALF

	Gross (Group)		Net (Group)	
	2021	2022	2021	2022
As a percentage of premiums earned				
Claims ratio [1]	59.9	61.0	60.5	59.7
Expense ratio	30.6	30.5	31.8	32.2
Combined ratio	90.5	91.5	92.3	91.9

1 Including profit-sharing ratio.

Consolidated balance sheet (unaudited)

CHF million	31.12.2021	30.6.2022
Assets		
Property, plant and equipment	419.5	400.7
Intangible assets	1,180.4	1,346.6
Investments in associates	316.0	339.6
Investment property	8,464.5	8,384.2
Financial assets of an equity nature		
Available for sale	4,681.7	4,572.7
Recognised at fair value through profit or loss	14,490.3	12,457.4
Financial assets of a debt nature		
Held to maturity	6,375.5	6,024.1
Available for sale	28,502.8	24,703.9
Recognised at fair value through profit or loss	2,083.2	1,922.4
Mortgages and loans		
Carried at cost	15,117.5	14,801.4
Recognised at fair value through profit or loss	981.5	947.6
Derivative financial instruments	902.1	1,025.9
Reinsurance assets	823.9	709.0
Receivables from reinsurers	170.7	92.2
Insurance receivables	450.0	574.8
Receivables from employee benefits	5.9	11.4
Other receivables	271.3	262.5
Receivables from investments	334.9	269.4
Deferred tax assets	73.7	132.8
Current income tax assets	66.7	87.2
Other assets	193.5	254.3
Cash and cash equivalents	4,073.5	4,086.6
Non-current assets and disposal groups classified as held for sale	–	324.0
Total assets	**89,979.0**	**83,730.8**

CHF million	31.12.2021	30.6.2022
Equity and liabilities		
Equity		
Share capital	4.6	4.6
Capital reserves	376.8	384.4
Treasury shares	– 84.9	– 82.0
Unrealised gains and losses (net)	178.9	– 2,078.6
Retained earnings	6,809.7	6,777.9
Equity before non-controlling interests	7,285.1	5,006.2
Non-controlling interests	14.8	14.8
Total equity	7,299.9	5,021.0
Liabilities		
Technical reserves (gross)	48,661.4	46,078.5
Liabilities arising from the banking business and financial contracts		
With discretionary participation features (DPF)	4,038.5	3,954.1
Measured at amortised cost	8,189.7	9,290.8
Recognised at fair value through profit or loss	14,654.2	12,817.4
Financial liabilities	2,425.7	2,622.9
Non-technical provisions	77.0	67.2
Derivative financial instruments	89.8	170.2
Insurance liabilities	1,770.1	1,168.5
Liabilities arising from employee benefits	926.1	674.5
Other accounts payable	706.1	855.2
Deferred tax liabilities	1,002.0	640.8
Current income tax liabilities	41.2	48.7
Other liabilities	97.4	88.6
Liabilities included in non-current assets and disposal groups classified as held for sale	–	232.5
Total liabilities	82,679.1	78,709.8
Total equity and liabilities	89,979.0	83,730.8

Consolidated income statement (unaudited)

	1st half 2021	1st half 2022
CHF million		
Income		
Premiums earned and policy fees (gross)	4,213.5	4,042.8
Reinsurance premiums ceded	−139.5	−158.8
Premiums earned and policy fees (net)	4,074.1	3,884.0
Investment income	593.0	584.1
Realised gains and losses on investments		
For own account and at own risk	141.0	20.6
For the account and at risk of life insurance policyholders and third parties	1,171.0	−1,985.0
Income from services rendered	60.7	68.1
Share of profit (loss) of associates	4.2	2.0
Other operating income	108.4	104.1
Income	**6,152.4**	**2,677.8**
Expense		
Claims and benefits paid (gross)	−2,841.4	−3,698.0
Change in technical reserves (gross)	−1,033.5	680.3
Reinsurers’ share of claims incurred	76.8	124.3
Acquisition costs	−326.0	−298.1
Operating and administrative expenses for insurance business	−421.7	−434.9
Investment management expenses	−59.0	−60.7
Interest expenses on insurance liabilities	−7.2	−6.0
Gains or losses on financial contracts	−923.6	1,602.3
Other operating expenses	−251.3	−233.1
Expense	**−5,786.9**	**−2,324.0**
Profit for the period before borrowing costs and taxes	**365.5**	**353.8**
Borrowing costs	−14.1	−10.8
Profit for the period before taxes	**351.4**	**343.1**
Income taxes	−51.1	−57.5
Profit for the period	**300.2**	**285.6**
Attributable to:		
Shareholders	302.3	287.1
Non-controlling interests	−2.1	−1.5
Earnings / loss per share		
Basic (CHF)	6.71	6.36
Diluted (CHF)	6.71	6.35

Consolidated statement of comprehensive income (unaudited)

	1st half 2021	1st half 2022
CHF million		
Profit for the period	**300.2**	**285.6**
Items not to be reclassified to the income statement		
Change in reserves arising from reclassification of investment property	0.1	–
Change in reserves arising from assets and liabilities of defined benefit post-employment benefits	181.8	212.7
Change arising from shadow accounting	–31.1	–85.9
Exchange differences	–1.8	1.7
Deferred income taxes	–30.8	–31.7
Total items not to be reclassified to the income statement	**118.2**	**96.9**
Items to be transferred to the income statement		
Change in unrealised gains and losses on available-for-sale financial assets	–346.1	–4,434.6
Change in unrealised gains and losses on associates	0.0	–0.2
Change in hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	–61.7	–72.1
Change in reserves arising from reclassification of held-to-maturity financial assets	–0.4	–0.4
Change arising from shadow accounting	126.7	1,719.7
Exchange differences	169.8	–33.1
Deferred income taxes	64.5	465.6
Total items to be transferred to the income statement	**–47.1**	**–2,355.2**
Other comprehensive income	**71.0**	**–2,258.3**
Comprehensive income (for the period)	**371.3**	**–1,972.7**
Attributable to:		
Shareholders	373.7	–1,970.4
Non-controlling interests	–2.4	–2.2

Consolidated cash flow statement (unaudited)

	1st half 2021	1st half 2022
CHF million		
Cash flow from operating activities		
Profit before taxes	351.4	343.1
Adjustments for		
Depreciation, amortisation and impairment of property, plant and equipment and of intangible assets	48.5	43.9
Realised gains and losses on property, plant and equipment and on intangible assets	–0.2	–0.1
Income from investments in associates	–4.2	–2.0
Realised gains and losses on financial assets, investment property and associates	–1,291.8	1,927.8
Amortised cost valuation of financial instruments	17.8	9.8
Share-based payments	11.9	13.2
Change in assets and liabilities from operating activities		
Deferred acquisition costs	–68.4	–60.0
Technical reserves	1,557.6	–214.1
Reinsurers’ share of technical reserves	–11.0	75.9
Receivables and liabilities arising from banking business and financial contracts	1,924.8	–312.3
Receivables from investments	63.6	61.1
Receivables and liabilities arising from insurance business and from reinsurers	–761.7	–776.3
Change in other assets and other liabilities from operating activities	–129.4	24.3
Change in operating assets and liabilities		
Purchase of investment property	–45.1	–48.1
Sale of investment property	40.1	63.0
Purchase of financial assets of an equity nature	–1,507.5	–1,602.6
Sale of financial assets of an equity nature	1,046.9	1,290.6
Purchase of financial assets of a debt nature	–3,594.1	–2,972.5
Sale of financial assets of a debt nature	2,426.1	2,322.7
Addition of mortgages and loans	–44,003.4	–8,989.1
Disposal of mortgages and loans	44,635.1	9,157.2
Addition of derivative financial instruments	–123.7	–115.9
Disposal of derivative financial instruments	81.9	54.5
Borrowing costs	14.1	10.8
Taxes paid	–53.9	–46.6
Cash flow from operating activities	625.2	258.1

CHF million	1st half 2021	1st half 2022
Cash flow from investing activities		
Purchase of property, plant and equipment	–5.4	–4.1
Sale of property, plant and equipment	4.5	0.7
Purchase of intangible assets	–15.6	–12.7
Sale of intangible assets	–	0.0
Acquisition of companies, net of cash and cash equivalents	–	–
Purchase of investments in associates	–27.6	–35.1
Sale of investments in associates	–	0.1
Dividends from associates	5.8	5.4
Cash flow from investing activities	**–38.3**	**–45.7**
Cash flow from financing activities		
Additions to financial liabilities	249.9	200.0
Disposals of financial liabilities	–125.0	–
Borrowing costs paid	–10.9	–11.0
Repayments of principal in connection with leases	–6.7	–6.2
Purchase of treasury shares [1]	–23.8	–22.0
Sale of treasury shares [1]	15.9	22.6
Purchase and sale of options on treasury shares [1]	2.6	–3.1
Dividends attributable to non-controlling interests	–0.4	–0.4
Dividends paid	–288.4	–316.5
Cash flow from financing activities	**–186.7**	**–136.6**
Total cash flow	**400.2**	**75.8**
Cash and cash equivalents		
Balance as at 1 January	4,004.0	4,073.5
Change during the financial year	400.2	75.8
Effect of changes in exchange rates on cash and cash equivalents	26.4	–62.7
Balance as at 31 December	**4,430.7**	**4,086.6**
Breakdown of cash and cash equivalents at the balance sheet date		
Cash and bank balances	2,942.3	2,542.1
Cash equivalents	0.1	0.0
Cash and cash equivalents for the account and at the risk of life insurance policyholders	1,488.4	1,544.5
Balance as at 31 December	**4,430.7**	**4,086.6**
Of which: restricted cash and cash equivalents	85.9	226.5
Supplemental disclosures on cash flow from operating activities		
Interest received	326.9	300.7
Dividends received	45.0	49.0
Interest paid	–10.1	–8.8

1 The prior-year figures in the cash flow statement were adjusted slightly due to the more detailed presentation of the options on treasury shares. Further details can be found in the consolidated statement of changes in equity.

Consolidated statement of changes in equity (unaudited)

2021	Share capital	Capital reserves	Treasury shares	Unrealised gains and losses (net)	Retained earnings	Equity before non-controlling interests	Non-controlling interests	Total equity
CHF million								
Balance as at 1 January [1]	4.9	370.2	– 578.0	203.7	6,983.0	6,983.7	2.0	6,985.7
Profit for the period	–	–	–	–	302.3	302.3	– 2.1	300.2
Other comprehensive income	–	–	–	71.4	–	71.4	– 0.4	71.0
Comprehensive income	–	–	–	71.4	302.3	373.7	– 2.4	371.3
Other changes in equity								
Dividend	–	–	–	–	– 288.4	– 288.4	– 0.4	– 288.8
Capital increase / repayment	–	–	–	–	–	–	–	–
Purchase of treasury shares [1]	–	0.1	– 23.9	–	–	– 23.8	–	– 23.8
Sale of treasury shares [1]	–	3.8	12.2	–	–	15.9	–	15.9
Purchase and sale of options on treasury shares [1]	–	2.6	–	–	–	2.6	–	2.6
Share-based payments	–	11.8	–	–	–	11.8	0.1	11.9
Allocation of treasury shares as part of share-based remuneration programmes	–	– 8.9	8.9	–	–	–	–	–
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	–	–	–	–	7.6	7.6	18.4	26.0
Balance as at 30 June	4.9	379.6	– 580.9	275.1	7,004.5	7,083.1	17.7	7,100.8

1 The statement of changes in equity was adjusted as a result of the more detailed presentation of options on treasury shares. This resulted in a minor shift within capital reserves between the purchase / sale of treasury shares and the purchase / sale of options on treasury shares. This change has no impact on total equity.

2022	Share capital	Capital reserves	Treasury shares	Unrealised gains and losses (net)	Retained earnings	Equity before non-controlling interests	Non-controlling interests	Total equity
CHF million								
Balance as at 1 January	4.6	376.8	−84.9	178.9	6,809.7	7,285.1	14.8	7,299.9
Profit for the period	–	–	–	–	287.1	287.1	−1.5	285.6
Other comprehensive income	–	–	–	−2,257.5	–	−2,257.5	−0.7	−2,258.3
Comprehensive income	–	–	–	−2,257.5	287.1	−1,970.4	−2.2	−1,972.7
Other changes in equity								
Dividend	–	–	–	–	−316.5	−316.5	−0.4	−316.8
Capital increase / repayment	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	–	−22.0	–	–	−22.0	–	−22.0
Sale of treasury shares	–	9.2	13.4	–	–	22.6	–	22.6
Purchase and sale of options on treasury shares	–	−3.1	–	–	–	−3.1	–	−3.1
Share-based payments	–	12.9	–	–	–	12.9	0.3	13.2
Allocation of treasury shares as part of share-based remuneration programmes	–	−11.4	11.4	–	–	–	–	–
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	–	–	–	–	−2.4	−2.4	2.4	–
Balance as at 30 June	4.6	384.4	−82.0	−2,078.6	6,777.9	5,006.2	14.8	5,021.0

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 2021 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 2021.

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 4.20F(b) are, firstly, Baloise's assignment to the insurance supersector in the STOXX Europe 600 Insurance Index under stock-market law and, secondly, Bâloise 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 2023. Until these standards are adopted, there will be no effect on profit for the period or on balance sheet line items.

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

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts establishes uniform principles, consistent with the rules in other IFRSs, for the measurement, presentation, and disclosure of insurance and reinsurance contracts. The introduction of IFRS 17 involves material conceptual and structural changes to the rules in IFRS 4. The objective is to improve the presentation of the insurance business and make it possible to compare earnings from insurance contracts across the insurance industry.

Definition of an insurance contract

Irrespective of its treatment in accordance with regulatory requirements or tax law, an insurance contract pursuant to IFRS 17 is defined as "a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder". In this context, an insurance risk is any directly insured or reinsured risk that is not a financial risk.

Separating components from an insurance contract

Under IFRS 17, certain components have to be separated from the insurance contracts defined as above:

- Embedded derivatives: The Baloise Group identifies any embedded derivatives that are included in insurance contracts in accordance with the relevant rules in IFRS 9 and, on the basis of those rules, determines whether an embedded derivative needs to be accounted for separately. If this is the case, all cash flows related to the embedded derivative are separated from the host contract and then measured and presented as a distinct financial instrument.
- Distinct investment components: An investment component of an insurance contract comprises all payments that will have to be made to the policyholder in all circumstances, regardless of whether an insured event has occurred. An investment component is deemed distinct if both of the following criteria apply:
  - The investment component and the host contract are not highly interrelated.
  - A contract with equivalent terms is sold, or could be sold, in the same market.
- Distinct non-insurance services: The Baloise Group identifies non-insurance services in accordance with the rules in IFRS 15. Cash flows from distinct non-insurance services are separated and then measured in accordance with the rules in IFRS 15.

The measurement unit for insurance contracts

Groups of insurance contracts rather than the individual contracts are measured under IFRS 17. These groups constitute the smallest unit in the financial reporting. The insurance contracts are put into the same group if they are subject to similar risk and managed together. The groups are subdivided by year of issue and by the profitability expected at the time of issue. Overall, this results in an extremely granular breakdown of Baloise's insurance contract portfolio.

Measurement of insurance contracts in accordance with the general measurement model (GMM)

The standard method for measuring obligations or claims arising from insurance contracts is the general measurement model (GMM), which comprises the following components:

- Estimates of future cash flows
- Adjustment to reflect the time value of money and the financial risks (discounting)
- Risk adjustment for non-financial risk
- Contractual service margin (CSM) representing the unearned profit that will be recognised as the services are provided in the future.

The sum of the first three components is also referred to as fulfilment cash flows. For these components, the methods used for measurement on initial recognition and for subsequent measurement are identical. Under IFRS 17, the GMM is modified in the case of contracts with certain characteristics and outward reinsurance contracts.

On initial measurement of an insurance contract, the contractual service margin is recognised at an amount that does not result in immediate profit. When an insurance contract is measured subsequently, the contractual service margin is allocated over the term of the contract on the basis of the insurance services performed. If changes arise in the measurement of the fulfilment cash flows that are not due to financial influences, the contractual service margin is also adjusted. In particular, this means that changes to the discount rate do not affect the contractual service margin.

If, on initial measurement, it becomes clear that a group of insurance contracts will give rise to a loss, this expected loss must be disclosed immediately, i. e. the contractual service margin cannot contain negative margins. This special item is described as a loss component. Baloise uses the same method for subsequent measurement of a loss component as for the contractual service margin.

Measurement of insurance contracts in accordance with the variable fee approach (VFA)

For insurance contracts with direct participation features (policyholders' dividends), a modified version of the general measurement method must be used that is also known as the variable fee approach (VFA). Measurement of the risk-adjusted present value of all future payments (fulfilment cash flows) is unaffected and is carried out using the general measurement model. The modifications to the measurement method therefore only affect the measurement of the contractual service margin.

In the case of these contracts, a significant portion of the financial risk is shared with the policyholders. Consequently, the contractual service margin is also adjusted as a result of changes in the measurement of the fulfilment cash flows that are due to financial influences.

Measurement of insurance contracts in accordance with the premium allocation approach (PAA)

IFRS 17 gives entities the option to simplify the measurement of the liability for remaining coverage (LRC) for certain contracts. This simplification, also known as the premium allocation approach (PAA), can be used if the coverage period of each contract in the group is one year or less. A contract's coverage period is the period during which the contract guarantees insurance cover and other services. The PAA may also be used for all groups of insurance contracts where the PAA would produce a measurement of the LRC that would not be materially different to the measurement under the standard method, i. e. the general measurement model (GMM).

Presentation of insurance contracts in accordance with IFRS 17

The statement of financial performance for insurance contracts is broken down into three disclosure groups:

- Insurance revenue: This comprises the portion of the contractual service margin that is recognised in the income statement for the insurance services performed by Baloise, along with changes in the measurement of the insurance contracts that are attributable to non-financial risk.
- Insurance service expenses (referred to in combination with insurance revenue as the insurance service result) comprises the expenses arising in connection with incurred insurance claims, costs related to managing the insurance contracts, and changes in the measurement of loss components.
- Insurance finance income or expenses: This item comprises the sum of all changes in the measurement of insurance contracts arising from the effect of, and changes in, the time value of money, and from the effect of, and changes in, financial risk.

Generally, IFRS 17 must be applied retrospectively, i. e. each group of insurance contracts must be accounted for as if IFRS 17 had always been applied. This is known as the fully retrospective approach. If this approach is impractical, IFRS 17 permits exceptions (modified retrospective approach and fair value approach).

IFRS 9 Financial Instruments

After the temporary exemption from applying IFRS 9 has ended, the Baloise Group will apply IFRS 9 Financial Instruments with effect from 1 January 2023. IFRS 9 sets out rules on the classification and measurement of financial instruments, the impairment of assets and hedge accounting. Classification of a financial asset is based on the entity's business model on the one hand and, on the other, the characteristics of the contractual cash flows of the financial asset in question. Previously, under IAS 39, credit losses were recognised only when the loss event occurred. Under the new impairment model in IFRS 9, however, a loss allowance for expected credit losses (ECLs) is now recognised. The IFRS 9 model consists of three stages that determine the amount at which the loss allowance is recognised and the recognition of interest. At the time of initial recognition, expected losses must be recognised in the amount of the present value of the twelve-month expected credit loss (stage 1). If the credit risk has risen significantly, the loss allowance has to be increased to the amount of the lifetime expected credit losses (stage 2). If objective evidence of impairment arises, interest has to be recognised on the basis of the net carrying amount (stage 3).

IFRS 17 and IFRS 9 implementation project

In connection with the introduction of IFRS 17 and IFRS 9, the Baloise Group initiated the IFRS 17/9 & Finance Transformation implementation project. This Group-wide project encompasses the methodology and the structure of data flows and the related infrastructure. The project's aim is to enable Baloise to comply with the relevant financial reporting requirements and, in addition, optimise its financial systems and financial processes.

The project work is now at an advanced stage, and the impact on financial reporting is being assessed iteratively in test phases. At the time of preparation of this half-year report, Baloise did not yet have any reliable information regarding the effects on the consolidated annual financial statements of implementing IFRS 17 and IFRS 9. Baloise has therefore not published any advance quantitative information in the half-year report.

CHANGES IN SHAREHOLDINGS AND IN THE GROUP OF CONSOLIDATED ENTITIES

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

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

Furthermore, Baloise Finance (Jersey) Ltd. was liquidated in the first half of 2022.

EXCHANGE RATES

CURRENCY

	Balance sheet		Income statement	
	31.12.2021	30.6.2022	ø 2021	ø 2022
CHF				
1 EUR (euro)	1.04	1.00	1.09	1.03
1 USD (US dollar)	0.91	0.95	0.91	0.94

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.

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

	Switzerland		Germany		Belgium	
	2021	2022	2021	2022	2021	2022
CHF million						
Income						
Premiums earned and policy fees (gross)	2,565.6	2,430.7	606.1	601.6	898.1	868.2
Reinsurance premiums ceded	– 51.1	– 56.4	– 46.2	– 49.3	– 74.8	– 94.2
Premiums earned and policy fees (net)	2,514.5	2,374.3	559.9	552.4	823.3	774.0
Investment income	388.7	383.1	79.7	78.7	119.3	117.8
Realised gains and losses on investments						
For own account and at own risk	114.0	– 10.0	14.9	26.4	15.3	21.1
For the account and at risk of life insurance policyholders and third parties	32.4	– 102.7	236.7	– 286.9	63.4	– 130.0
Income from services rendered	50.1	58.3	4.1	3.5	3.0	2.9
Share of profit (loss) of associates	– 0.7	– 1.3	4.9	3.4	–	0.0
Other operating income	64.3	60.3	22.8	11.9	13.5	12.3
Income	3,163.4	2,762.1	923.0	389.4	1,037.8	798.1
Intersegment income	– 13.5	– 15.5	7.9	8.6	30.3	39.5
Income from associates	– 0.7	– 1.3	4.9	3.4	–	0.0
Expense						
Claims and benefits paid (gross)	– 1,866.3	– 2,627.6	– 387.5	– 414.0	– 509.8	– 568.5
Change in technical reserves (gross)	– 599.8	447.3	– 305.8	234.7	– 79.6	– 51.9
Reinsurers share of claims incurred	27.9	24.3	25.9	40.9	34.6	103.5
Acquisition costs	– 30.5	– 8.9	– 89.3	– 105.5	– 194.2	– 173.6
Operating and administrative expenses for insurance business	– 222.6	– 222.8	– 81.6	– 78.8	– 80.7	– 89.4
Investment management expenses	– 37.9	– 39.1	– 14.2	– 14.9	– 10.9	– 9.7
Interest expenses on insurance liabilities	– 0.1	– 0.1	– 6.8	– 5.9	– 0.1	– 0.1
Gains or losses on financial contracts	– 7.9	98.1	– 0.9	– 0.6	– 97.0	96.9
Other operating expenses	– 131.1	– 149.0	– 40.2	– 25.2	– 35.7	– 33.5
Expense	– 2,868.1	– 2,477.7	– 900.4	– 369.3	– 973.3	– 726.3
Profit / loss for the period before borrowing costs and taxes	295.3	284.5	22.6	20.1	64.4	71.8
Borrowing costs	– 5.2	– 5.1	0.0	0.0	0.0	0.0
Profit / loss for the period before taxes	290.1	279.3	22.6	20.1	64.4	71.8
Income taxes	– 36.1	– 38.2	– 18.0	– 3.9	– 11.2	– 13.1
Profit / loss for the period (segment result)	253.9	241.1	4.6	16.1	53.2	58.6
Segment assets as at 30 June	48,139.9	45,942.7	13,558.9	11,923.8	15,492.5	13,139.0
Segment assets as at 31 December	47,902.3		13,069.3		14,745.7	

Luxembourg		Sub-total		Group business		Eliminated		Total	
2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
121.4	118.9	4,191.2	4,019.4	82.2	93.6	−59.9	−70.3	4,213.5	4,042.8
−11.5	−12.5	−183.5	−212.3	−19.2	−20.0	63.3	73.5	−139.5	−158.8
110.0	106.4	4,007.7	3,807.1	63.0	73.6	3.4	3.2	4,074.1	3,884.0
9.8	9.4	597.5	589.0	8.9	8.2	−13.5	−13.1	593.0	584.1
3.3	0.4	147.5	37.9	−6.5	−17.4	–	–	141.0	20.6
804.4	−1,418.8	1,136.9	−1,938.5	34.1	−46.5	–	–	1,171.0	−1,985.0
10.0	10.8	67.2	75.6	81.5	80.2	−88.1	−87.7	60.7	68.1
–	–	4.2	2.0	–	–	–	–	4.2	2.0
18.8	18.0	119.3	102.6	7.8	21.9	−18.6	−20.4	108.4	104.1
956.3	−1,273.8	6,080.4	2,675.8	188.8	120.1	−116.8	−118.0	6,152.4	2,677.8
4.8	5.2	29.5	37.9	−146.3	−155.9	116.8	118.0	–	–
–	–	4.2	2.0	–	–	–	–	4.2	2.0
−59.0	−55.2	−2,822.6	−3,665.2	−52.7	−90.5	33.8	57.8	−2,841.4	−3,698.0
−48.7	37.2	−1,033.9	667.2	−0.6	7.6	1.1	5.5	−1,033.5	680.3
11.3	3.6	99.7	172.4	15.3	18.3	−38.3	−66.4	76.8	124.3
−10.5	−9.9	−324.5	−297.9	−2.6	−1.1	1.1	0.8	−326.0	−298.1
−33.0	−32.9	−417.9	−423.9	−2.8	−10.1	−1.1	−0.8	−421.7	−434.9
−1.0	−0.9	−64.0	−64.6	−3.8	−3.9	8.7	7.9	−59.0	−60.7
−0.1	−0.1	−7.1	−6.1	−0.3	–	0.1	0.1	−7.2	−6.0
−790.9	1,354.9	−896.7	1,549.3	−40.4	39.8	13.5	13.1	−923.6	1,602.3
−19.2	−18.0	−226.2	−225.7	−123.0	−107.5	97.9	100.1	−251.3	−233.1
−951.1	1,278.7	−5,692.9	−2,294.5	−210.8	−147.5	116.8	118.0	−5,786.9	−2,324.0
5.2	4.9	387.5	381.3	−22.0	−27.4	–	–	365.5	353.8
0.0	0.0	−5.2	−5.2	−8.9	−5.6	–	–	−14.1	−10.8
5.2	4.9	382.3	376.1	−30.9	−33.0	–	–	351.4	343.1
2.8	0.1	−62.6	−55.2	11.4	−2.3	–	–	−51.1	−57.5
8.0	5.0	319.7	320.9	−19.5	−35.3	–	–	300.2	285.6
14,529.2	12,742.0	91,720.5	83,747.5	2,767.8	2,788.5	−2,756.3	−2,805.2	91,732.0	83,730.8
14,482.2		90,199.4		2,552.3		−2,772.7		89,979.0	

SEGMENT REPORTING BY OPERATING SEGMENT (FIRST HALF-YEAR)

	Non-life		Life	
	2021	2022	2021	2022
CHF million				
Income				
Premiums earned and policy fees (gross)	1,992.7	1,973.0	2,220.8	2,069.8
Reinsurance premiums ceded	– 115.1	– 138.6	– 24.4	– 20.2
Premiums earned and policy fees (net)	1,877.6	1,834.4	2,196.4	2,049.6
Investment income	82.5	83.4	474.2	464.9
Realised gains and losses on investments				
For own account and at own risk	16.5	1.7	146.0	62.9
For the account and at risk of life insurance policyholders and third parties	–	–	1,137.5	– 1,939.1
Income from services rendered	23.2	26.2	10.5	11.4
Share of profit (loss) of associates	– 0.1	– 1.1	1.9	0.8
Other operating income	19.2	29.2	97.5	79.2
Income	2,018.9	1,973.8	4,064.0	729.7
Intersegment income	– 23.8	– 25.2	– 18.9	– 19.7
Income from associates	– 0.1	– 1.1	1.9	0.8
Expense				
Claims and benefits paid (gross)	– 1,114.8	– 1,264.8	– 1,726.6	– 2,433.2
Change in technical reserves (gross)	– 71.4	58.6	– 962.1	621.7
Reinsurers share of claims incurred	57.8	109.7	19.0	14.5
Acquisition costs	– 310.3	– 290.8	– 15.7	– 7.3
Operating and administrative expenses for insurance business	– 276.2	– 293.0	– 145.5	– 141.9
Investment management expenses	– 15.7	– 15.8	– 55.1	– 53.8
Interest expenses on insurance liabilities	– 0.3	0.0	– 6.9	– 6.0
Gains or losses on financial contracts	– 8.2	– 7.1	– 890.9	1,523.9
Other operating expenses	– 113.6	– 108.4	– 85.5	– 69.1
Expense	– 1,852.7	– 1,811.7	– 3,869.4	– 551.2
Profit / loss for the period before borrowing costs and taxes	166.2	162.1	194.6	178.5
Borrowing costs	– 0.2	– 0.1	– 5.1	– 5.1
Profit / loss for the period before taxes	166.0	162.0	189.5	173.4
Income taxes	– 16.8	– 37.4	– 34.9	– 11.7
Profit / loss for the period (segment result)	149.3	124.6	154.6	161.7

	Asset Management & Banking		Other activities		Eliminated		Total	
	2021	2022	2021	2022	2021	2022	2021	2022
	–	–	–	–	–	–	4,213.5	4,042.8
	–	–	–	–	–	–	–139.5	–158.8
	–	–	–	–	–	–	4,074.1	3,884.0
	41.2	41.3	8.1	7.3	–13.1	–12.9	593.0	584.1
	–10.5	–41.4	–11.1	–2.6	–	–	141.0	20.6
	–	–	33.6	–45.9	–	–	1,171.0	–1,985.0
	79.4	83.3	87.6	86.5	–140.0	–139.3	60.7	68.1
	–	–	2.4	2.3	–	–	4.2	2.0
	8.4	8.3	5.9	11.0	–22.5	–23.5	108.4	104.1
	118.6	91.5	126.5	58.6	–175.6	–175.7	6,152.4	2,677.8
	–43.4	–42.4	–89.5	–88.4	175.6	175.7	–	–
	–	–	2.4	2.3	–	–	4.2	2.0
	–	–	–	–	–	–	–2,841.4	–3,698.0
	–	–	–	–	–	–	–1,033.5	680.3
	–	–	–	–	–	–	76.8	124.3
	–	–	–	–	–	–	–326.0	–298.1
	–	–	–	–	–	–	–421.7	–434.9
	–29.8	–31.6	–0.1	0.0	41.7	40.6	–59.0	–60.7
	–	–	–	–	–	–	–7.2	–6.0
	2.3	32.7	–39.8	40.0	13.1	12.9	–923.6	1,602.3
	–48.8	–53.8	–124.2	–124.1	120.8	122.3	–251.3	–233.1
	–76.3	–52.7	–164.1	–84.1	175.6	175.7	–5,786.9	–2,324.0
	42.3	38.8	–37.6	–25.6	–	–	365.5	353.8
	0.0	0.0	–8.8	–5.6	–	–	–14.1	–10.8
	42.3	38.8	–46.4	–31.1	–	–	351.4	343.1
	–6.3	–6.1	6.9	–2.3	–	–	–51.1	–57.5
	35.9	32.7	–39.5	–33.4	–	–	300.2	285.6

SHARE CAPITAL

	Number of treasury shares	Number of shares in circulation	Number of shares issued	Share capital (CHF million)
Balance as at 1 January 2021	3,750,453	45,049,547	48,800,000	4.9
Purchase / sale of treasury shares	– 101,723	101,723	–	–
Capital increases	–	–	–	–
Share buy-back and cancellation	– 3,000,000	–	– 3,000,000	– 0.3
Balance as at 31 December 2021	648,730	45,151,270	45,800,000	4.6

	Number of treasury shares	Number of shares in circulation	Number of shares issued	Share capital (CHF million)
Balance as at 1 January 2022	648,730	45,151,270	45,800,000	4.6
Purchase / sale of treasury shares	– 21,056	21,056	–	–
Capital increases	–	–	–	–
Share buy-back and cancellation	–	–	–	–
Balance as at 30 June 2022	627,674	45,172,326	45,800,000	4.6

The share capital of Bâloise Holding Ltd on 30 June 2022 totals CHF 4.6 million and is divided into 45,800,000 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 29 April 2022 voted in favour of a total dividend distribution of CHF 320.6 million for the 2021 financial year. This amounts to a gross dividend of CHF 7.00 per share. Excluding the treasury shares held by Bâloise Holding Ltd at the time that the dividend was paid, the total distribution effectively amounted to CHF 316.5 million.

The reduction of share capital from CHF 4.9 million to CHF 4.6 million by cancelling 3,000,000 registered treasury shares, each with a nominal value of CHF 0.10, which was approved by the shareholders of Bâloise Holding Ltd at the Annual General Meeting on 30 April 2021, was completed in July 2021.

FINANCIAL LIABILITIES

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

Information on the bond issued in the second half of the year is included in the disclosure on events after the balance sheet date.

INCOME FROM INVESTMENTS FOR OWN ACCOUNT AND AT OWN RISK

	1st half 2021	1st half 2022
CHF million		
Investment property	147.7	142.1
Financial assets of an equity nature		
Available for sale	65.3	75.4
Recognised at fair value through profit or loss	0.9	1.1
Financial assets of a debt nature		
Held to maturity	84.1	74.9
Available for sale	192.3	196.1
Recognised at fair value through profit or loss	0.1	0.1
Mortgages and loans		
Carried at cost	96.8	89.5
Recognised at fair value through profit or loss	6.7	6.1
Cash and cash equivalents	– 1.1	– 1.1
Total income from investments for own account and at own risk	593.0	584.1

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

First half of 2021	Investment property	Financial assets of an equity nature	Financial assets of a debt nature	Mortgages and loans	Derivative financial instruments	Total
CHF million						
Realised gains on disposals and book profits						
Investment property	167.4	–	–	–	–	167.4
Held to maturity[1]	–	–	16.2	–	–	16.2
Available for sale	–	82.5	165.8	–	–	248.3
Recognised at fair value through profit or loss	–	31.9	0.7	0.0	111.6	144.1
Carried at cost	–	–	–	10.4	–	10.4
Sub-total	167.4	114.4	182.7	10.5	111.6	586.5
Realised losses on disposals and book losses						
Investment property	–75.3	–	–	–	–	–75.3
Held to maturity[1]	–	–	0.0	–	–	0.0
Available for sale	–	–9.9	–32.0	–	–	–41.9
Recognised at fair value through profit or loss	–	–1.3	0.0	–12.8	–305.4	–319.5
Carried at cost	–	–	–	1.8	–	1.8
Sub-total	–75.3	–11.2	–32.1	–11.1	–305.4	–435.0
Impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–9.4	–	–	–	–9.4
Carried at cost	–	–	–	–1.2	–	–1.2
Reversal of impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–	–	–	–	–
Carried at cost	–	–	–	0.1	–	0.1
Sub-total	–	–9.4	–	–1.1	–	–10.5
Total realised gains and losses on investments	92.1	93.8	150.6	–1.7	–193.8	141.0

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 2022	Investment property	Financial assets of an equity nature	Financial assets of a debt nature	Mortgages and loans	Derivative financial instruments	Total
CHF million						
Realised gains on disposals and book profits						
Investment property	211.8	–	–	–	–	211.8
Held to maturity[1]	–	–	0.1	–	–	0.1
Available for sale	–	109.3	96.5	–	–	205.8
Recognised at fair value through profit or loss	–	6.1	–	–	358.3	364.4
Carried at cost	–	–	–	11.0	–	11.0
Sub-total	211.8	115.4	96.6	11.0	358.3	793.2
Realised losses on disposals and book losses						
Investment property	– 57.4	–	–	–	–	– 57.4
Held to maturity[1]	–	–	– 37.8	–	–	– 37.8
Available for sale	–	– 10.8	– 224.9	–	–	– 235.7
Recognised at fair value through profit or loss	–	– 39.2	– 1.1	– 58.8	– 260.1	– 359.2
Carried at cost	–	–	–	– 7.1	–	– 7.1
Sub-total	– 57.4	– 50.0	– 263.8	– 65.9	– 260.1	– 697.2
Impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	– 50.2	– 25.5	–	–	– 75.6
Carried at cost	–	–	–	– 2.4	–	– 2.4
Reversal of impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–	–	–	–	–
Carried at cost	–	–	–	2.6	–	2.6
Sub-total	–	– 50.2	– 25.5	0.2	–	– 75.4
Total realised gains and losses on investments	154.4	15.3	– 192.6	– 54.7	98.2	20.6

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	
	31.12.2021	30.6.2022	31.12.2021	30.6.2022
CHF million				
Property, plant and equipment	–	–	–	–
Intangible assets	–	–	–	–
Investment property	–	–	–	168.4
Financial assets	–	–	–	–
Other investments	–	–	–	–
Receivables	–	145.3	–	–
Other assets	–	10.4	–	–
Total assets	–	155.7	–	168.4
Technical reserves	–	211.4	–	–
Liabilities arising from banking business and financial contracts	–	–	–	–
Other financial obligations	–	–	–	–
Other liabilities	–	–	–	21.1
Total liabilities	–	211.4	–	21.1
Unrealised losses directly associated with non-current assets and disposal groups classified as held for sale	–	2.6	–	–

Baloise intends to dispose of the German run-off portfolio for hospital liability insurance and regards the IFRS 5 criteria as having been met at the end of the first half of 2022. In accordance with IFRS 5, the relevant assets in an amount of CHF 155.7 million and technical provisions of CHF 211.4 million have been reclassified. The reclassification relates to the Group business segment. Further information can be found in the 'Events after the balance sheet date' section.

Baloise also intends to dispose of a total of 17 Basler Versicherung AG and Basler Leben AG properties in the second half of the year. The fair value of these properties is CHF 168.4 million.

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
Level 2		
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 Net asset value	Interest rate, credit spread, market price n. a.
Mortgages and loans		
At fair value through profit or loss	Present-value model	LIBOR / SARON [1], 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 / SARON [1], swap rates
Level 3		
Financial assets of an equity nature	Net asset value	n. a.
Financial assets of a debt nature	Present-value model	Interest rate, credit spread

1 The replacement of LIBOR by the alternative reference rate SARON was for the most part completed by 1 January 2022.

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

31.12.2021	Total carrying amount	Total fair value	Level 1	Level 2	Level 3
CHF million					
Assets measured on a recurring basis for own account and at own risk					
Financial assets of an equity nature					
Available for sale	4,681.7	4,681.7	2,505.6	357.5	1,818.5
Recognised at fair value through profit or loss	501.6	501.6	424.4	77.2	–
Financial assets of a debt nature					
Available for sale	28,502.8	28,502.8	25,606.0	2,896.9	–
Recognised at fair value through profit or loss	7.9	7.9	7.9	–	–
Mortgages and loans					
Recognised at fair value through profit or loss	981.5	981.5	–	981.5	–
Derivative financial instruments	583.3	583.3	10.7	572.6	–
Liabilities measured on a recurring basis for own account and at own risk					
Liabilities arising from banking business and financial contracts					
Recognised at fair value through profit or loss	741.4	741.4	–	741.4	–
Derivative financial instruments	89.8	89.8	14.4	75.4	–
Assets measured on a recurring basis for the account and at the risk of life insurance policyholders and third parties	16,382.8	16,382.8	15,353.1	535.6	494.1
Liabilities measured on a recurring basis for the account and at the risk of life insurance policyholders and third parties	13,912.8	13,912.8	13,695.9	216.9	–

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

30.6.2022	Total carrying amount	Total fair value	Level 1	Level 2	Level 3
CHF million					
Assets measured on a recurring basis for own account and at own risk					
Financial assets of an equity nature					
Available for sale	4,572.7	4,572.7	2,282.9	359.3	1,930.5
Recognised at fair value through profit or loss	585.8	585.8	429.4	156.4	–
Financial assets of a debt nature					
Available for sale	24,703.9	24,703.9	21,917.6	2,786.3	–
Recognised at fair value through profit or loss	6.5	6.5	6.5	–	–
Mortgages and loans					
Recognised at fair value through profit or loss	947.6	947.6	–	947.6	–
Derivative financial instruments	742.1	742.1	19.5	722.6	–
Liabilities measured on a recurring basis for own account and at own risk					
Liabilities arising from banking business and financial contracts					
Recognised at fair value through profit or loss	634.5	634.5	–	634.5	–
Derivative financial instruments	170.2	170.2	5.7	164.5	–
Assets measured on a recurring basis for the account and at the risk of life insurance policyholders and third parties	14,071.3	14,071.3	13,068.8	499.2	503.3
Liabilities measured on a recurring basis for the account and at the risk of life insurance policyholders and third parties	12,182.8	12,182.8	11,967.4	215.4	–

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

2021	Financial instruments with characteristics of equity Available for sale	Derivative financial instruments (liabilities)	Total
CHF million			
Balance as at 1 January	**1,506.4**	**– 13.1**	**1,493.3**
Additions	176.3	–	176.3
Additions arising from change in the scope of consolidation	–	–	–
Disposals	– 156.0	–	– 156.0
Disposals arising from change in the scope of consolidation	–	–	–
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 [1]	21.4	–	21.4
Changes in fair value not recognised in profit or loss	288.5	13.1	301.6
Exchange differences	– 18.0	–	– 18.0
Balance as at 31 December	**1,818.5**	**–**	**1,818.5**
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	**9.6**	**–**	**9.6**

1 Changes in fair value recognised in profit or loss arise from realised gains and losses on investments, impairment losses or the reversal of impairment losses.

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

2022	Financial instruments with characteristics of equity Available for sale	Derivative financial instruments (liabilities)	Total
CHF million			
Balance as at 1 January	**1,818.5**	**–**	**1,818.5**
Additions	78.3	–	78.3
Additions arising from change in the scope of consolidation	–	–	–
Disposals	– 46.1	–	– 46.1
Disposals arising from change in the scope of consolidation	–	–	–
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 [1]	9.6	–	9.6
Changes in fair value not recognised in profit or loss	79.4	–	79.4
Exchange differences	– 9.2	–	– 9.2
Balance as at 30 June	**1,930.5**	**–**	**1,930.5**
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	**– 8.5**	**–**	**– 8.5**

1 Changes in fair value recognised in profit or loss arise from realised gains and losses on investments, impairment losses or the reversal of impairment losses.

Reclassification of 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 significant amounts of assets or liabilities measured at fair value were reclassified from level 1 to level 2 or vice versa during the reporting period.

Reclassification of 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

	31.12.2021		30.6.2022	
	Total carrying amount	Total fair value	Total carrying amount	Total fair value
CHF million				
Assets				
Financial assets of a debt nature				
Held to maturity	6,375.5	7,635.8	6,024.1	6,277.8
Mortgages and loans				
Carried at cost	15,117.5	15,714.3	14,801.4	14,444.8
Other receivables				
Carried at cost	271.3	273.0	262.5	265.3
Receivables from investments				
Carried at cost	334.9	334.9	269.4	269.4
Liabilities				
Liabilities arising from banking business and financial contracts				
Carried at cost	8,189.7	8,260.2	9,290.8	9,014.8
Financial liabilities [1]	2,399.1	2,503.9	2,598.9	2,435.6

1 Excluding leasing liabilities.

GAINS OR LOSSES ON FINANCIAL CONTRACTS

CHF million	1st half 2021	1st half 2022
With discretionary participation features (DPF)		
Financial contracts with discretionary participation features (DPF)	–29.1	–19.1
Sub-total	–29.1	–19.1
Measured at amortised cost		
Interest on loans	0.0	–0.2
Interest due	–5.4	–4.3
Interest arising from banking business	1.8	1.9
Interest expenses arising from repurchase agreements	0.7	2.6
Acquisition costs arising from banking business	–4.5	–5.3
Expenses arising from financial contracts	–3.4	–2.5
Sub-total	–10.8	–7.7
Designated as at fair value through profit or loss		
Change in fair value of other financial contracts	–883.8	1,629.1
Sub-total	–883.8	1,629.1
Total gains or losses on financial contracts	–923.6	1,602.3

ACQUISITION AND DISPOSAL OF COMPANIES

No acquisitions or disposals were made in the first half of 2022.

INCOME TAXES

CHF million	1st half 2021	1st half 2022
Current income taxes	– 24.8	– 32.9
Deferred income taxes	– 26.3	– 24.6
Total income taxes	**– 51.1**	**– 57.5**

EARNINGS PER SHARE

	1st half 2021	1st half 2022
Profit for the period (attributable to shareholders) (CHF million)	302.3	287.1
Average number of shares outstanding	45,047,340	45,173,941
Basic earnings per share (CHF)	**6.71**	**6.36**

	1st half 2021	1st half 2022
Profit for the period (attributable to shareholders) (CHF million)	**302.3**	**287.1**
Average number of shares outstanding	45,047,340	45,173,941
Adjustment due to potential exercise of share-based payment plans	25,005	40,563
Adjusted average number of shares outstanding	**45,072,345**	**45,214,504**
Diluted earnings per share (CHF)	**6.71**	**6.35**

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 2021 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 2022 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 2021.

EVENTS AFTER THE BALANCE SHEET DATE

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

Furthermore, the agreement to dispose of the run-off portfolio for hospital liability insurance was signed in August 2022. The final sale of the portfolio is dependent on regulatory approvals and is expected, at the earliest, at the end of 2022.

Further information

FINANCIAL CALENDAR AND CONTACTS

17 November 2022
Q3 interim statement

9 March 2023
Preliminary annual financial results
Media conference
Conference call for analysts

28 March 2023
Annual report
Publication of the 2022 annual report and annual review

28 April 2023
Annual General Meeting
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GENERAL INFORMATION ON THE HALF-YEAR REPORT

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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 from 25 August 2022.

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