

Baloise Group

HALF-YEAR REPORT

2017

Baloise Group
Half-Year Report 2017

Contents

BALOISE KEY FIGURES	3	CONDENSED NOTES	
LETTER TO SHAREHOLDERS	4	TO THE CONSOLIDATED HALF-YEAR	
REVIEW OF OPERATING PERFORMANCE		FINANCIAL STATEMENTS (UNAUDITED)	22
Overview of operating performance	6	Basis of preparation	22
Performance and trends in the segments	6	Application of new financial reporting standards	22
Performance and trends in the regional markets	8	Changes in shareholdings	
Outlook	9	and in the group of consolidated entities	22
Baloise shares	10	Exchange rates	22
Business volumes, premiums and combined ratio	11	Segment reporting by strategic business unit	
CONSOLIDATED BALANCE SHEET		(first half-year)	24
(UNAUDITED)	14	Segment reporting by operating segment	
CONSOLIDATED INCOME STATEMENT		(first half-year)	26
(UNAUDITED)	16	Share capital	28
CONSOLIDATED STATEMENT		Financial liabilities	29
OF COMPREHENSIVE INCOME (UNAUDITED)	17	Income from investments	
CONSOLIDATED CASH FLOW STATEMENT		for own account and at own risk	29
(UNAUDITED)	18	Realised gains and losses on investments	29
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY		Non-current assets and disposal groups	
(UNAUDITED)	20	classified as held for sale	32
		Determining fair value	33
		Gains or losses on financial contracts	41
		Acquisition and disposal of companies	42
		Income taxes	43
		Earnings per share	44
		Related party transactions	45
		Contingent and future liabilities	45
		Events after the balance sheet date	45
		GENERAL INFORMATION	
		Financial calendar and contacts	46
		General information on the half-year report	46

Baloise key figures

	30.6.2016	31.12.2016	30.6.2017	Change (%)
CHF million				
Business volume				versus 30.6.16
Gross premiums written (non-life)	2,128.3	3,140.7	2,149.5	1.0
Gross premiums written (life)	2,416.8	3,570.9	2,411.8	-0.2
Sub-total of IFRS gross premiums written¹	4,545.0	6,711.6	4,561.3	0.4
Investment-type premiums	1,078.9	2,199.2	1,109.7	2.9
Total business volume	5,623.9	8,910.8	5,671.0	0.8
Operating profit (loss)				
Consolidated profit / loss for the period before borrowing costs and taxes				
Non-life	208.4	396.4	261.2	25.3
Life ²	45.5	226.1	114.8	152.3
Banking	53.5	92.1	41.9	-21.7
Other activities	-17.9	-31.0	-19.8	10.6
Consolidated profit for the period	223.2	533.9	298.6	33.8
Balance sheet				
versus 31.12.16				
Technical reserves	47,537.4	46,209.0	47,577.5	3.0
Equity	5,435.5	5,773.7	5,892.0	2.0
Per cent				
Ratios (per cent)				
Gross combined ratio (non-life)	92.3	91.1	87.4	
Net combined ratio (non-life)	92.5	92.2	89.7	
Key figures on the Company's shares				
versus 31.12.16 ³				
Shares issued (units)	50,000,000	50,000,000	50,000,000	0.0
Basic earnings per share (CHF)	4.82	11.53	6.26	29.9
Diluted earnings per share (CHF)	4.80	11.22	6.26	30.4
Equity per share ⁴ (CHF)	116.5	123.8	121.8	-1.6
Closing price (CHF)	108.20	128.30	148.20	15.5
Market capitalisation (CHF million)	5,410.0	6,415.0	7,410.0	15.5

1 Premiums written and policy fees (gross).

2 Of which deferred gains / losses from other operating segments: 30 June 2016 CHF - 1.1 million / 31 December 2016 CHF - 2.0 million / 30 June 2017 CHF - 1.0 million.

3 Changes in earnings per share compared with 30 June 2016.

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 (left), and Gert De Winter, Chief Executive Officer (right), standing in front of the Baloise Park construction site. The cornerstone for the new headquarters of Baloise Holding Ltd was laid in June 2017.

DEAR SHAREHOLDER

Baloise can be very satisfied with the first half of 2017 because it coped impressively with a challenging environment. Profit increased to CHF 298.6 million (H1 2016: CHF 223.2 million). The business mix improved in the life business, which generated a good EBIT of CHF 114.8 million. The net combined ratio in the non-life business was much better, falling by 2.8 percentage points to 89.7 per cent. This ratio was below 100 per cent in all business units. However, Baloise's success in the first half of the year was not limited to its core business. We took steps aimed at laying the foundations for the future. The entire Baloise Group is characterised by a rapid pace of change and tremendous agility. Various initiatives and projects focusing on customers, simplification and additional services were launched as part of the Simply Safe strategy.

We want to gain experience with new digital technologies in the market and tailor the new products to customers' changing needs. The main way in which we are doing this is

through partnerships and structured start-up scouting. In the long term, we aim to be early adopters of insurtech and fintech developments that become established in the market. It is not yet clear which disruptive business models will be successful and actually accepted by customers. Companies therefore need to remain agile. This means developing the necessary capabilities in an adaptive system over the coming years. The businesses that do not make a bold move now will be left behind in terms of innovation. That is why we are opting for inhouse projects, long-term equity investments and acquisitions of insurtech and fintech companies, as well as making longer-term financial investments. The latter includes our partnership with Anthemis, under which we are making capital of CHF 50 million available for investing in European and US start-ups. These investments are intended to enable Baloise to benefit financially from insurtech companies' success and expertise.

When we talk about digitalisation, we differentiate between the technical implementation and application of digital technologies and their cultural integration in our Company. Baloise has been using digital technologies for years and is recognised as a pioneer in the industry. However, we are learning more every day about how digitalisation influences corporate culture and society. That is why our digitalisation projects have various objectives: partnerships, culture and technology. It is our firm belief that the interplay between these objectives and the breadth of our initiatives are playing a key part in helping us to achieve our strategic objectives. We are delighted and very proud that, in the first half of 2017, we reached important milestones at various levels on our journey into the future: new products, strategic investments in new technologies and the acquisition of start-ups. The Simply Safe strategy is thus increasingly taking shape.

“One of the big cultural challenges is for employees to get used to the greater agility now required of them.”

Within just a very short period, we have developed and launched many new products, either by ourselves or in cooperation with start-ups. The experience we amass during development and the feedback from customers are helping us to continuously update the customer experience in respect of insurance solutions and services. Switzerland’s first cyber-insurance policies for retail customers, Luxembourg’s first “connected car” insurance product and Europe’s first watch insurance based on photo recognition are examples of product innovations in the first half of this year. They are enabling us to tap into new customer segments and gather the necessary experience in the field of digitalisation that will enable us to make further improvements. In Germany, we have introduced a beta product for motor vehicle insurance with the mobile insurer FRIDAY and we will debut the first finished motor vehicle product there in the autumn. We also teamed up with Deutsche Asset Management to launch Baloise Monviso, a robo advisor for automated asset management.

Another area on which we are focusing is services beyond traditional insurance business. Examples include the acquisition of MOVU – the largest home-moving services platform in Switzerland – and our controlling interest in

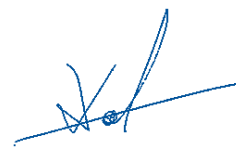
Belgium-based DrivOlution, which helps transport companies and organisations with large vehicle fleets to analyse and modify their employees’ driving style. Drivers learn to drive more safely and economically on the basis of the objectively collected data. The sharing of expertise between Baloise and DrivOlution and the findings from the data collected will be incorporated into future insurance solutions and open up opportunities for the provision of additional services. By acquiring MOVU, Baloise ultimately plans to widen its offering in Switzerland to extend beyond traditional insurance business. With MOVU, we will expand into further areas of “house & home” services in the coming months. All of this shows that Baloise has gained significant momentum as it starts to implement its new strategy.

The very good results for the first half of the year provide the basis for further activities and enable us to tackle innovative topics and other initiatives head on. However, we are only at the beginning of the transformation and are also placing huge demands on our employees. The biggest cultural challenge is for employees to get used to the greater agility expected of them. Nevertheless, we are going through a phase that is incredibly exciting both for the industry and for our Company. Baloise is on the move and gaining momentum every day. This makes us optimistic that, even in a rapidly changing environment, we will be able to achieve the targets that we have been set.

Basel, August 2017



Dr. Andreas Burckhardt
Chairman of the Board of Directors



Gert De Winter
Group CEO

Excellent half-year result for Baloise

OVERVIEW OF OPERATING PERFORMANCE

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

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

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

Profit before taxes and borrowing costs (EBIT) in the banking business was down by around a quarter, or CHF 11.6 million, to CHF 41.9 million. This corresponds to the average level in recent years, whereas the figure for the prior-year period had been bolstered by a non-recurring item

arising from changes to the pension scheme at Baloise Bank SoBa. The main driving forces in this division are traditionally Baloise Asset Management, whose contribution increased year on year, and Baloise Bank SoBa.

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

BUSINESS VOLUME 2017 (GROSS) BY STRATEGIC BUSINESS UNITS

Per cent

➤ Switzerland	56.9
➤ Germany	13.7
➤ Belgium	13.4
➤ Luxembourg	16.0



PERFORMANCE AND TRENDS IN THE SEGMENTS

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

the negative effect of exchange rates. Non-life business generated growth in all markets.

COMBINED RATIO NET PERFORMANCE, HALF-YEAR FIGURES

Per cent

2017	89.7
2016	92.5
2015	92.3
2014	93.2
2013	94.5

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

life insurance portfolio of the German branches of Baloise Life Ltd to the Frankfurter Leben Group had an adverse impact on growth. The better business mix and the level of interest rates had a positive influence on the new business margin, which improved to 24.8 per cent (H1 2016: 7.3 per cent).

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

The equity markets performed very well in the first half of the year. The French and UK elections in the spring triggered volatility in the financial markets for a short time. However, Emmanuel Macron's election victory in May was seen by the financial markets as a sign of stability and was thus greeted with relief. As well as the favourable political decisions, the generally positive economic situation resulted in share price gains. Even though the economy continued to

ASSET ALLOCATION IN INSURANCE¹

	31.12.2016			30.6.2017		
	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	917.4	5,875.3	6,792.7	941.6	6,129.6	7,071.2
Equities	1,251.3	2,791.0	4,042.3	1,125.5	2,511.6	3,637.1
Alternative financial assets	280.2	1,023.9	1,304.1	288.7	990.4	1,279.2
Fixed-income securities ²	4,852.9	26,829.2	31,682.0	5,142.1	27,551.2	32,693.3
Mortgage assets	427.3	3,809.5	4,236.8	421.2	3,905.3	4,326.5
Policy loans and other loans	1,092.5	4,847.2	5,939.7	1,478.5	5,167.8	6,646.3
Derivative financial instruments	21.7	332.8	354.5	24.4	317.4	341.9
Cash and cash equivalents	323.4	497.4	820.8	382.6	725.8	1,108.4
Total	9,166.6	46,006.1	55,172.7	9,804.7	47,299.2	57,103.9

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

² Since 2017 inclusive direct investments in senior secured loans.

improve, interest rates rose only insignificantly in the first half of the year. In the US, they even decreased slightly at the long end despite the key interest rate being raised twice (in March and June). A notable trend in the currency markets was the weakening US dollar, which was the result of fading euphoria surrounding the fiscal policies of the Trump administration. In this environment, Baloise's **investments** delivered a respectable performance.

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

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

PERFORMANCE AND TRENDS IN THE REGIONAL MARKETS

Switzerland

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

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

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

Baloise Bank SoBa (all figures reported according to local accounting standards) generated encouraging results in the first half of 2017. Profit for the half-year advanced by 1.6 per cent to CHF 13.3 million. The sharp 30 per cent rise in asset management mandates had a positive influence,

contributing to the increase in customer assets to CHF 8.9 billion. This is attributable to the collaboration between the bank and the insurance company. Particularly in the current financial market environment, this unparalleled business model offers the best investment variant combining a bank and an insurance company. The very favourable level of credit risk also helped to boost the half-year financial results. As a bank whose main source of earnings is interest income, however, Baloise Bank SoBa continued to face challenging economic conditions.

Germany

The German business returned to profit in the reporting period following the significant negative effect of strengthening reserves by CHF 54.8 million in the **non-life business** in the first half of 2016. EBIT amounted to CHF 10.6 million in the first six months of 2017. The net combined ratio in the non-life business was much healthier at 99.5 per cent (H1 2016: 116.3 per cent). This was due to the absence of the one-off strengthening of reserves that had taken place in the first half of 2016 and to a year-on-year reduction in large claims incurred. The non-life business expanded by an encouraging 1.4 per cent. This growth was achieved in the target segments. In local currency terms, premium income was up by 6 per cent in the retail customer segment and by 5 per cent in the SME segment, whereas industrial business registered a year-on-year drop of 13 per cent.

The **life business** generated EBIT of CHF 10.1 million. Its premiums fell by 23.6 per cent, resulting in a business volume of CHF 177.9 million (H1 2016: CHF 232.8 million). The decrease was mainly due to the sale of the closed life insurance portfolio of the German branch of Baloise Life Ltd to the Frankfurter Leben Group. This was completed at the start of February, resulting in the elimination of premiums of almost CHF 50 million. Nevertheless, the increase in new business was encouraging and easily outstripped the growth of the market as a whole.

Belgium

The EBIT generated by the Belgian business declined to CHF 56.0 million (H1 2016: CHF 70.1 million). At CHF 759.4 million, the total volume of business was also down year on year (H1 2016: CHF 807.3 million). Premium income in the **non-life business**, however, went up by 2.5 per cent, with

growth in almost all sectors. This business remains highly profitable: the net combined ratio was virtually unchanged, falling by 0.1 percentage points to 94.0 per cent. The **life business** held steady with a decrease of just 0.2 per cent. Investment-type premiums were down significantly, by 26.9 per cent, as a result of changes in insurance rates. Overall, the Belgian business is in an excellent condition and is a rock-solid pillar of Baloise's ongoing success.

Luxembourg

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

OUTLOOK

The new Simply Safe strategy got off to a successful start in the first half of this year. Numerous initiatives and projects were begun and completed; the core business was further optimised. This is reflected in the results for the first six months of 2017. The strategy is thus taking shape. At the moment, Baloise is still in the early stages of its new strategic phase, but the results provide a basis for, and legitimise, the proactive approach being taken to overcome the challenges. Baloise believes it is on track to meet the strategic objectives that it has set for itself.

BALOISE SHARES

The equity markets performed well in the first half of 2017. Key drivers were the improved state of the global economy and expectations of a more expansive fiscal policy, especially in the US. The uncertainties ahead of the French elections, the ongoing Brexit negotiations and the many unanswered questions surrounding Donald J. Trump's political agenda made little impact on the strong market performance. Only in the days leading up to the first round of French elections was there any real volatility. Otherwise, the equity markets were surprisingly stable in the first half of 2017.

Baloise shares benefited from this benign macro environment. Moreover, the market values the new strategy "Simply Safe" presented at the October 2016 Investor Day as well as – when including the buy-back of shares – the high payout ratio, which is above those of key peers. The slightly higher yields on Swiss sovereign bonds also provided some support. Baloise shares closed the first half-year at CHF 148.20. This constituted a sharp rise of 15.5 per cent compared with the

end of the year 2016. The Swiss insurance sector index (SWP SP Insurance) dropped by 1.0 per cent over the same period. The European insurance sector index (STOXX EUROPE 600 Insurance Index) made a gain of 4.3 per cent. The Swiss Market Index and the Swiss Performance Index also performed well, rising by 8.4 per cent and 13.0 per cent respectively.

The shares in Baloise Holding Ltd were widely held and their free float remained unchanged at 100 per cent. In the first half-year, the following change (notifiable under Art. 120 [1] of the Swiss Financial Market Infrastructure Act) to the Baloise shareholder base took place: Several collective investments managed by UBS Fund Management (Switzerland) AG together rose above the threshold of 3 per cent on 29 March 2017.

* Baloise shares = shares of Baloise Holding Ltd

KEY FIGURES ON THE COMPANY'S SHARES

	30.6.2016	31.12.2016	30.6.2017	Change (%) versus 31.12.2016 ¹
Shares issued (units)	50,000,000	50,000,000	50,000,000	0.0
Basic earnings per share (CHF)	4.82	11.53	6.26	29.9
Diluted earnings per share (CHF)	4.80	11.22	6.26	30.4
Equity per share ² (CHF)	116.5	123.8	121.8	-1.6
Closing price (CHF)	108.20	128.30	148.20	15.5
Market capitalisation (CHF million)	5,410.0	6,415.0	7,410.0	15.5

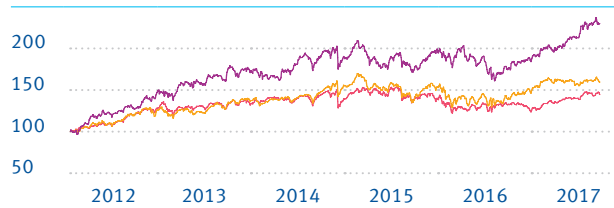
¹ Changes in earnings per share compared with 30 June 2016.

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 BALOISE HOLDING LTD REGISTERED SHARES 2012 – 2017



¹ 30. June 2012 = 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 2016	Group	Switzerland	Germany	Belgium	Luxembourg ²
CHF million					
Non-life	2,128.3	1,049.0	491.0	514.7	70.8
Life	2,416.8	2,072.4	232.8	67.7	43.8
Sub-total of IFRS gross premiums written¹	4,545.0	3,121.4	723.8	582.5	114.7
Investment-type premiums	1,078.9	50.4	108.0	224.8	695.7
Total business volume	5,623.9	3,171.7	831.8	807.3	810.4

BUSINESS VOLUMES

First half of 2017	Group	Switzerland	Germany	Belgium	Luxembourg ²
CHF million					
Non-life	2,149.5	1,051.7	497.8	527.4	71.0
Life	2,411.8	2,124.8	177.9	67.6	41.4
Sub-total of IFRS gross premiums written¹	4,561.3	3,176.5	675.7	595.0	112.4
Investment-type premiums	1,109.7	50.9	103.5	164.3	791.0
Total business volume	5,671.0	3,227.4	779.2	759.4	903.4

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

PREMIUMS EARNED (GROSS) FIRST HALF OF THE YEAR

	Non-life		Life		Total	
	2016	2017	2016	2017	2016	2017
CHF million						
IFRS gross premiums written	2,128.3	2,149.5	2,416.8	2,411.8	4,545.0	4,561.3
Change in unearned premium reserves	-597.0	-590.0	-	-	-597.0	-590.0
Premiums earned and policy fees	1,531.3	1,559.4	2,416.8	2,411.8	3,948.1	3,971.3

NON-LIFE GROSS PREMIUMS BY SECTOR

	1 st half	1 st half	+ / - %
	2016	2017	
CHF million			
Accident	268.7	273.2	1.7
Health	98.3	110.9	12.8
General liability	241.9	244.7	1.2
Motor	734.1	728.1	-0.8
Property	615.9	624.3	1.4
Marine	105.0	103.0	-1.9
Other	41.4	42.4	2.4
Inward reinsurance	23.1	23.0	-0.4
Gross premiums written, non-life	2,128.3	2,149.5	1.0

LIFE GROSS PREMIUMS BY SECTOR

	1 st half	1 st half	+ / - %
	2016	2017	
CHF million			
Business volume of single premiums	1,684.9	1,748.3	3.8
Business volume of periodic premiums	1,810.8	1,773.2	-2.1
Investment-type premiums	-1,078.9	-1,109.7	2.9
Gross premiums written (life)	2,416.8	2,411.8	-0.2

NET COMBINED RATIO

First half of 2016	Group	Switzerland	Germany	Belgium	Luxembourg
As a percentage of premiums earned					
Claims ratio ¹	60.6	50.8	80.3	59.7	54.6
Expense ratio	31.9	27.6	36.0	34.4	32.6
Combined ratio	92.5	78.4	116.3	94.1	87.2

NET COMBINED RATIO

First half of 2017	Group	Switzerland	Germany	Belgium	Luxembourg
As a percentage of premiums earned					
Claims ratio ¹	57.7	54.4	61.7	59.5	58.4
Expense ratio	32.0	27.0	37.8	34.5	31.3
Combined ratio	89.7	81.4	99.5	94.0	89.7

¹ Including profit-sharing ratio.

GROSS AND NET COMBINED RATIOS FIRST HALF

	Gross (Group)		Net (Group)	
	2016	2017	2016	2017
As a percentage of premiums earned				
Claims ratio ¹	61.5	56.4	60.6	57.7
Expense ratio	30.8	31.0	31.9	32.0
Combined ratio	92.3	87.4	92.5	89.7

¹ Including profit-sharing ratio.

Consolidated balance sheet (unaudited)

	31.12.2016	30.6.2017
CHF million		
Assets		
Property, plant and equipment	349.3	347.7
Intangible assets	836.1	926.4
Investments in associates	160.4	163.3
Investment property	6,817.5	7,096.3
Financial assets of an equity nature		
Available for sale	4,357.1	4,572.1
Recognised at fair value through profit or loss	9,948.5	10,076.6
Financial assets of a debt nature		
Held to maturity	8,224.6	8,300.1
Available for sale	23,806.7	24,731.6
Recognised at fair value through profit or loss	1,735.2	1,874.2
Mortgages and loans		
Carried at cost	15,457.7	16,267.9
Recognised at fair value through profit or loss	897.0	841.3
Derivative financial instruments	757.3	775.3
Receivables from financial contracts		
Carried at cost	4.2	3.8
Recognised at fair value through profit or loss	–	–
Reinsurance assets	415.2	441.3
Receivables from reinsurers	47.5	55.6
Insurance receivables	383.5	443.1
Receivables from employee benefits	0.8	7.8
Other receivables	463.1	484.8
Receivables from investments	451.6	376.0
Deferred tax assets	69.3	59.3
Current income tax assets	54.1	60.1
Other assets		
Carried at cost	187.6	417.0
Recognised at fair value through profit or loss	54.5	59.4
Cash and cash equivalents	3,173.3	3,503.0
Non-current assets and disposal groups classified as held for sale	1,962.0	–
Total assets	80,614.3	81,883.9

	31.12.2016	30.6.2017
CHF million		
Equity and liabilities		
Equity		
Share capital	5.0	5.0
Capital reserves	317.3	334.4
Treasury shares	-248.1	-253.7
Unrealised gains and losses (net)	-318.4	-310.6
Retained earnings	5,985.5	6,037.4
Equity before non-controlling interests	5,741.3	5,812.5
Non-controlling interests	32.4	79.5
Total equity	5,773.7	5,892.0
Liabilities		
Technical reserves (gross)	46,209.0	47,577.5
Liabilities arising from the banking business and financial contracts		
With discretionary participation features (DPF)	2,317.4	2,457.3
Measured at amortised cost	8,000.9	9,109.6
Recognised at fair value through profit or loss	9,999.4	10,883.9
Financial liabilities	1,470.4	1,470.9
Provisions	80.0	64.6
Derivative financial instruments	299.0	185.7
Insurance liabilities	1,565.2	860.0
Liabilities arising from employee benefits	1,463.9	1,380.8
Other accounts payable	456.6	866.5
Deferred tax liabilities	944.9	967.5
Current income tax liabilities	44.3	50.9
Other liabilities	81.3	116.6
Liabilities included in non-current assets and disposal groups classified as held for sale	1,908.3	-
Total liabilities	74,840.6	75,992.0
Total equity and liabilities	80,614.3	81,883.9

Consolidated income statement (unaudited)

	1 st half	1 st half
	2016	2017
CHF million		
Income		
Premiums earned and policy fees (gross)	3,948.1	3,971.3
Reinsurance premiums ceded	-74.2	-80.2
Premiums earned and policy fees (net)	3,873.9	3,891.0
Investment income	779.9	716.4
Realised gains and losses on investments	92.8	433.4
Income from services rendered	53.2	55.5
Share of profit (loss) of associates	3.3	2.6
Other operating income	55.9	123.6
Income	4,859.0	5,222.5
Expense		
Claims and benefits paid (gross)	-2,942.3	-3,081.7
Change in technical reserves (gross)	-902.6	-646.6
Reinsurers' share of claims incurred	60.7	25.9
Acquisition costs	-263.1	-234.1
Operating and administrative expenses for insurance business	-390.1	-385.6
Investment management expenses	-28.7	-35.0
Interest expenses on insurance liabilities	-16.2	-10.6
Gains or losses on financial contracts	46.8	-235.8
Other operating expenses	-133.9	-221.0
Expense	-4,569.5	-4,824.5
Profit for the period before borrowing costs and taxes	289.5	398.0
Borrowing costs	-20.0	-16.0
Profit for the period before taxes	269.5	382.1
Income taxes	-46.3	-83.5
Profit for the period	223.2	298.6
Attributable to:		
Shareholders	223.6	299.0
Non-controlling interests	-0.5	-0.4
Earnings / loss per share		
Basic (CHF)	4.82	6.26
Diluted (CHF)	4.80	6.26

Consolidated statement of comprehensive income (unaudited)

	1 st half	1 st half
	2016	2017
CHF million		
Profit for the period	223.2	298.6
Items not to be reclassified to the income statement		
Change in reserves arising from reclassification of investment property	7.9	-0.7
Change in reserves arising from assets and liabilities of defined benefit post-employment benefits	-460.8	76.1
Change arising from shadow accounting	58.5	-16.2
Deferred income taxes	87.6	-14.1
Total items not to be reclassified to the income statement	-306.7	45.1
Items to be transferred to the income statement		
Change in unrealised gains and losses on available-for-sale financial assets	1,065.1	-317.3
Change in unrealised gains and losses on associates	0.0	2.1
Change in hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	27.9	98.6
Change in reserves arising from reclassification of held-to-maturity financial assets	-0.6	-0.5
Change arising from shadow accounting	-543.6	228.6
Exchange differences	-27.3	-64.9
Deferred income taxes	-172.0	16.0
Total items to be transferred to the income statement	349.6	-37.4
Other comprehensive income	42.9	7.7
Comprehensive income (for the period)	266.0	306.3
Attributable to:		
Shareholders	266.9	306.8
Non-controlling interests	-0.9	-0.5

Consolidated cash flow statement (unaudited)

	1 st half	1 st half
	2016	2017
CHF million		
Summary		
Cash flow from operating activities (net)	719.8	671.0
Cash flow from investing activities (net)	-15.3	-119.8
Cash flow from financing activities (net)	-292.1	-245.6
Total cash flow	412.4	305.6
Effect of changes in exchange rates on cash and cash equivalents	-6.7	24.2
Cash and cash equivalents as at 1 January	2,839.8	3,173.3
Cash and cash equivalents as at 30 June	3,245.5	3,503.0
Cash flow from operating activities		
Profit for the period before taxes	269.5	382.1
Adjustments for		
Depreciation, amortisation and impairment of property, plant and equipment and of intangible assets	28.4	28.6
Realised gains and losses on property, plant and equipment and on intangible assets	-0.2	-6.1
Income from investments in associates	-3.3	-2.6
Realised gains and losses on financial assets, investment property and associates	-91.9	-432.9
Changes in other financial contracts	-98.0	193.0
Changes in technical reserves (gross), including unearned premium reserves	1,496.9	1,099.9
Interest expenses on reinsurance liabilities	0.0	-0.1
Borrowing costs	20.0	16.0
Amortised cost valuation of financial instruments	0.8	4.3
Net change in operating assets and liabilities		
Purchase / sale of investment property	-108.3	-77.6
Purchase / sale of financial assets of an equity nature	-664.2	244.4
Purchase / sale of financial assets of a debt nature	432.6	-1,226.1
Addition / disposal of mortgages and loans	384.3	-666.7
Addition / disposal of derivative financial instruments	-74.5	21.7
Addition / disposal of financial contracts and liabilities arising from banking business	-62.1	1,782.9
Other changes in assets and liabilities arising from operating activities	-737.9	-628.9
Taxes paid	-72.3	-61.0
Cash flow from operating activities (net)	719.8	671.0

	1 st half	1 st half
	2016	2017
CHF million		
Cash flow from investing activities		
Purchase of property, plant and equipment	-8.6	-11.2
Sale of property, plant and equipment	0.7	7.9
Purchase of intangible assets	-12.8	-13.0
Sale of intangible assets	0.3	0.0
Acquisition of companies, net of cash and cash equivalents	-	-145.1
Disposal of companies, net of cash and cash equivalents	-	37.1
Purchase of investments in associates	-	-
Sale of investments in associates	-	-
Dividends from associates	5.1	4.4
Cash flow from investing activities (net)	-15.3	-119.8
Cash flow from financing activities		
Additions to financial liabilities	-	-
Disposals of financial liabilities	-	-
Borrowing costs paid	-7.9	-8.5
Purchase of treasury shares	-89.1	-58.9
Sale of treasury shares	37.2	70.6
Cash flow attributable to non-controlling interests	-0.3	-0.3
Dividends paid	-232.0	-248.5
Cash flow from financing activities (net)	-292.1	-245.6
Total cash flow	412.4	305.6
Cash and cash equivalents		
Balance as at 1 January	2,839.8	3,173.3
Change during the period	412.4	305.6
Effect of changes in exchange rates on cash and cash equivalents	-6.7	24.2
Balance as at 30 June	3,245.5	3,503.0
Breakdown of cash and cash equivalents at the balance sheet date		
Cash and bank balances	2,053.5	2,222.0
Cash equivalents	0.0	0.0
Cash and cash equivalents for the account and at the risk of life insurance policyholders	1,192.0	1,281.1
Balance as at 30 June	3,245.5	3,503.0
Of which: restricted cash and cash equivalents	136.3	83.7

Consolidated statement of changes in equity (unaudited)

2016	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 2016	5.0	253.2	-305.4	-216.5	5,682.7	5,418.9	34.7	5,453.6
Profit for the period	-	-	-	-	223.6	223.6	-0.5	223.2
Other comprehensive income	-	-	-	43.3	-	43.3	-0.4	42.9
Comprehensive income	-	-	-	43.3	223.6	266.9	-0.9	266.0
Other changes in equity								
Dividend	-	-	-	-	-232.0	-232.0	-0.3	-232.2
Capital increase / repayment	-	-	-	-	-	-	-	-
Purchase / sale of treasury shares	-	-3.4	-48.6	-	-	-52.0	-	-52.0
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	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Balance as at 30 June 2016	5.0	249.8	-354.0	-173.2	5,674.3	5,401.9	33.6	5,435.5

2017	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 2017	5.0	317.3	-248.1	-318.4	5,985.5	5,741.3	32.4	5,773.7
Profit for the period	-	-	-	-	299.0	299.0	-0.4	298.6
Other comprehensive income	-	-	-	7.8	-	7.8	-0.1	7.7
Comprehensive income	-	-	-	7.8	299.0	306.8	-0.5	306.3
Other changes in equity								
Dividend	-	-	-	-	-248.5	-248.5	-0.3	-248.7
Capital increase / repayment	-	-	-	-	-	-	-	-
Purchase / sale of treasury shares	-	17.2	-5.6	-	-	11.6	-	11.6
Increase / decrease in non-controlling interests due to change in the scope of consolidation	-	-	-	-	-	-	47.8	47.8
Increase / decrease in non-controlling interests due to change in percentage of shareholding	-	-	-	-	-	-	-	-
Other	-	-	-	-	1.3	1.3	-	1.3
Balance as at 30 June 2017	5.0	334.4	-253.7	-310.6	6,037.3	5,812.5	79.5	5,892.0

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 2016 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 2016.

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

Currently, there are no new standards or interpretations to be applied that have a material impact on profit for the period or on balance sheet line items. The Baloise Group has not early adopted any other standards that have been issued but are not yet effective.

CHANGES IN SHAREHOLDINGS AND IN THE GROUP OF CONSOLIDATED ENTITIES

The two German companies Assekuranz Herrmann GmbH and Wilhelm Herrmann Assekuranz Makler GmbH were sold to the Artus Group in January 2017.

In Belgium, a controlling interest in DrivOlution NV was acquired for CHF 2.0 million on 11 January 2017.

The German branch of Baloise Life Ltd in Bad Homburg was sold to the Frankfurter Leben Group on 3 February 2017.

A start-up named FRIDAY was founded as a mobile insurer in Berlin, Germany. FRIDAY was entered in the commercial register on 15 February 2017 as a German branch of Basler Versicherungen Luxemburg A.G.

On 28 February 2017, Anthemis Baloise Strategic Ventures LLP was founded in London as part of a fintech investment partnership with the UK-based Anthemis Group.

Approximately a 71 per cent shareholding in the listed company Pax Anlage AG was purchased in Basel, Switzerland, on 31 March 2017. This stake was increased to 84.1 per cent in the second quarter of 2017 as a result of a public purchase order followed by additional share purchases. Pax Wohnbauten AG, a wholly owned subsidiary of Pax Anlage AG, was included in the purchase. It was renamed Baloise Wohnbauten AG on 3 July 2017.

Further details are provided in the “Acquisition and disposal of companies” section.

EXCHANGE RATES

CURRENCY

	Balance sheet		Income statement	
	31.12.2016	30.6.2017	ø 2016	ø 2017
CHF				
1 EUR (euro)	1.07	1.09	1.10	1.08
1 USD (US dollar)	1.02	0.96	0.98	0.99

This page has been left empty on purpose.

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

	Switzerland		Germany		Belgium	
	2016	2017	2016	2017	2016	2017
CHF million						
Income						
Premiums earned and policy fees (gross)	2,720.9	2,785.8	607.0	558.8	521.8	529.8
Reinsurance premiums ceded	-42.8	-44.6	-40.5	-43.0	-36.3	-39.7
Premiums earned and policy fees (net)	2,678.1	2,741.2	566.5	515.8	485.5	490.1
Investment income	466.9	459.9	175.8	126.1	125.1	119.2
Realised gains and losses on investments	130.2	51.1	24.6	151.8	51.3	22.5
Income from services rendered	18.0	19.3	14.9	13.2	0.9	1.5
Share of profit (loss) of associates	0.0	0.0	3.3	2.6	0.0	-
Other operating income	36.9	96.7	14.1	20.6	8.4	9.8
Income	3,330.2	3,368.1	799.2	830.1	671.2	643.1
Intersegment income	-12.1	-12.4	20.0	19.4	17.3	17.3
Income from associates	0.0	0.0	3.3	2.6	0.0	-
Expense						
Claims and benefits paid (gross)	-2,038.5	-2,224.0	-533.2	-446.9	-317.4	-355.8
Change in technical reserves (gross)	-686.4	-422.3	-115.8	-159.5	-102.8	-23.6
Reinsurers' share of claims incurred	18.8	13.7	56.7	20.1	26.6	15.5
Acquisition costs	-46.2	-28.7	-95.2	-80.7	-110.9	-115.2
Operating and administrative expenses for insurance business	-215.1	-213.9	-97.3	-94.6	-55.3	-52.0
Investment management expenses	-22.8	-26.7	-9.0	-11.1	-6.1	-6.3
Interest expenses on insurance liabilities	-1.0	-0.3	-15.2	-10.3	-0.1	-0.1
Gains or losses on financial contracts	-24.6	-15.2	-10.6	-11.9	-16.9	-31.2
Other operating expenses	-73.2	-133.8	-30.2	-24.6	-18.2	-18.6
Expense	-3,089.1	-3,051.4	-849.8	-819.5	-601.1	-587.1
Profit / loss for the period before borrowing costs and taxes	241.1	316.8	-50.6	10.6	70.1	56.0
Borrowing costs	-	-	-	-	-	-
Profit / loss for the period before taxes	241.1	316.8	-50.6	10.6	70.1	56.0
Income taxes	-57.0	-62.6	12.7	-2.9	-20.2	-7.5
Profit / loss for the period (segment result)	184.1	254.1	-37.9	7.6	50.0	48.5
Segment assets as at 30 June	45,045.8	46,397.4	15,468.0	13,610.6	9,520.1	9,815.3
Segment assets as at 31 December 2016	45,081.9		15,104.9		9,521.0	

Luxembourg		Sub-total		Group business		Eliminated		Total	
2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
99.8	99.8	3,949.5	3,974.2	50.1	50.0	-51.5	-52.9	3,948.1	3,971.3
-8.7	-8.5	-128.3	-135.9	-	-	54.1	55.7	-74.2	-80.2
91.1	91.3	3,821.2	3,838.3	50.1	50.0	2.6	2.8	3,873.9	3,891.0
10.2	10.0	778.1	715.3	2.7	2.2	-0.9	-1.0	779.9	716.4
-111.4	192.8	94.7	418.1	-1.9	15.2	-	-	92.8	433.4
7.8	8.6	41.7	42.6	78.3	78.6	-66.7	-65.7	53.2	55.5
-	-	3.3	2.6	-	-	-	-	3.3	2.6
11.5	11.7	70.8	138.8	10.9	10.1	-25.9	-25.3	55.9	123.6
9.2	314.4	4,809.8	5,155.7	140.2	156.1	-90.9	-89.2	4,859.0	5,222.5
1.3	0.2	26.5	24.5	-117.4	-113.8	90.9	89.2	-	-
-	-	3.3	2.6	-	-	-	-	3.3	2.6
-53.9	-55.1	-2,942.9	-3,081.7	162.1	-36.5	-161.4	36.5	-2,942.3	-3,081.7
-7.5	-43.9	-912.4	-649.2	-195.2	14.4	205.0	-11.7	-902.6	-646.6
4.7	4.2	106.8	53.5	0.0	0.0	-46.1	-27.6	60.7	25.9
-11.3	-10.0	-263.6	-234.7	-0.3	-0.2	0.8	0.8	-263.1	-234.1
-21.5	-24.2	-389.3	-384.7	0.0	-0.1	-0.8	-0.8	-390.1	-385.6
-0.7	-0.7	-38.6	-44.7	-4.5	-4.4	14.5	14.1	-28.7	-35.0
-0.1	0.0	-16.4	-10.7	-	-	0.2	0.1	-16.2	-10.6
96.8	-166.3	44.6	-224.7	-0.3	-14.0	2.5	2.9	46.8	-235.8
-5.3	-4.4	-126.9	-181.5	-83.3	-114.5	76.3	74.9	-133.9	-221.0
1.2	-300.4	-4,538.8	-4,758.4	-121.6	-155.3	90.9	89.2	-4,569.5	-4,824.5
10.3	13.9	270.9	397.3	18.6	0.8	-	-	289.5	398.0
-	-	-	-	-20.0	-16.0	-	-	-20.0	-16.0
10.3	13.9	270.9	397.3	-1.4	-15.2	-	-	269.5	382.1
-1.3	0.0	-65.8	-73.1	19.4	-10.4	-	-	-46.3	-83.5
9.0	13.9	205.1	324.2	18.0	-25.6	-	-	223.2	298.6
9,672.4	11,217.7	79,706.3	81,041.0	1,575.8	1,618.0	-904.4	-775.0	80,377.7	81,883.9
10,413.8		80,121.6		1,466.1		-973.4		80,614.3	

SEGMENT REPORTING BY OPERATING SEGMENT (FIRST HALF-YEAR)

	Non-life		Life	
	2016	2017	2016	2017
CHF million				
Income				
Premiums earned and policy fees (gross)	1,531.3	1,559.4	2,416.8	2,411.8
Reinsurance premiums ceded	-64.0	-69.6	-10.2	-10.6
Premiums earned and policy fees (net)	1,467.3	1,489.8	2,406.6	2,401.2
Investment income	122.0	118.3	608.4	552.4
Realised gains and losses on investments	39.0	21.7	41.9	402.0
Income from services rendered	9.3	9.7	8.0	9.9
Share of profit (loss) of associates	-	-	1.9	0.7
Other operating income	26.8	36.2	49.6	110.6
Income	1,664.4	1,675.8	3,116.3	3,476.8
Intersegment income	-24.4	-24.8	-20.3	-22.8
Income from associates	-	-	1.9	0.7
Expense				
Claims and benefits paid (gross)	-886.9	-898.3	-2,055.4	-2,183.4
Change in technical reserves (gross)	-76.5	34.6	-826.1	-681.1
Reinsurers' share of claims incurred	52.8	19.4	7.9	6.5
Acquisition costs	-216.6	-224.6	-46.5	-9.5
Operating and administrative expenses for insurance business	-249.9	-251.4	-140.2	-134.2
Investment management expenses	-10.6	-13.3	-41.3	-44.8
Interest expenses on insurance liabilities	-0.2	-0.1	-16.1	-10.5
Gains or losses on financial contracts	-0.3	-0.8	78.4	-213.2
Other operating expenses	-67.7	-80.1	-31.5	-91.8
Expense	-1,455.9	-1,414.6	-3,070.8	-3,362.0
Profit / loss for the period before borrowing costs and taxes	208.4	261.2	45.5	114.8
Borrowing costs	-	-	-	-
Profit / loss for the period before taxes	208.4	261.2	45.5	114.8
Income taxes	-33.5	-57.3	-12.5	-11.0
Profit / loss for the period (segment result)	174.9	203.9	33.0	103.9

	Banking		Other activities		Eliminated		Total	
	2016	2017	2016	2017	2016	2017	2016	2017
	-	-	-	-	-	-	3,948.1	3,971.3
	-	-	-	-	-	-	-74.2	-80.2
	-	-	-	-	-	-	3,873.9	3,891.0
	60.7	56.7	1.0	1.2	-12.2	-12.2	779.9	716.4
	14.8	-4.7	-2.8	14.3	-	-	92.8	433.4
	64.1	66.9	81.6	78.7	-110.0	-109.6	53.2	55.5
	-	-	1.5	1.9	-	-	3.3	2.6
	2.2	2.2	5.8	5.8	-28.5	-31.2	55.9	123.6
	141.9	121.1	87.1	101.9	-150.7	-153.1	4,859.0	5,222.5
	-32.9	-32.6	-73.1	-72.9	150.7	153.1	-	-
	-	-	1.5	1.9	-	-	3.3	2.6
	-	-	-	-	-	-	-2,942.3	-3,081.7
	-	-	-	-	-	-	-902.6	-646.6
	-	-	-	-	-	-	60.7	25.9
	-	-	-	-	-	-	-263.1	-234.1
	-	-	-	-	-	-	-390.1	-385.6
	-13.2	-13.0	-1.3	-1.4	37.6	37.5	-28.7	-35.0
	-	-	-	-	-	-	-16.2	-10.6
	-40.2	-17.7	-3.7	-17.3	12.7	13.1	46.8	-235.8
	-35.0	-48.6	-100.0	-103.0	100.4	102.5	-133.9	-221.0
	-88.4	-79.3	-105.0	-121.7	150.7	153.1	-4,569.5	-4,824.5
	53.5	41.9	-17.9	-19.8	-	-	289.5	398.0
	-	-	-20.0	-16.0	-	-	-20.0	-16.0
	53.5	41.9	-38.0	-35.8	-	-	269.5	382.1
	-11.1	-9.0	10.9	-6.2	-	-	-46.3	-83.5
	42.4	32.8	-27.1	-42.0	-	-	223.2	298.6

SHARE CAPITAL

	Number of treasury shares	Number of shares in circulation	Number of shares issued	Share capital (CHF million)
Balance as at 1 January 2016	3,464,540	46,535,460	50,000,000	5.0
Purchase / sale of treasury shares	- 964,595	964,595	-	-
Capital increases	-	-	-	-
Share buy-back and cancellation	-	-	-	-
Balance as at 31 December 2016	2,499,945	47,500,055	50,000,000	5.0

	Number of treasury shares	Number of shares in circulation	Number of shares issued	Share capital (CHF million)
Balance as at 1 January 2017	2,499,945	47,500,055	50,000,000	5.0
Purchase / sale of treasury shares	- 161,700	161,700	-	-
Capital increases	-	-	-	-
Share buy-back and cancellation	-	-	-	-
Balance as at 30 June 2017	2,338,245	47,661,755	50,000,000	5.0

The share capital of Baloise Holding Ltd on 30 June 2017 totals CHF 5.0 million and is divided into 50,000,000 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 as part of its ordinary investing activities and for employee share ownership programmes.

The Annual General Meeting held on 28 April 2017 voted to pay a gross dividend of CHF 5.20 per share for the 2016 financial year. This amounted to a total dividend distribution of CHF 260.0 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 248.5 million.

As at the balance sheet date (30 June 2017), a cumulative total of 169,550 shares in Baloise Holding Ltd had been repurchased for a total amount of CHF 24.5 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

No new bonds were issued in the first half of 2017 and no bonds were redeemed.

INCOME FROM INVESTMENTS FOR OWN ACCOUNT AND AT OWN RISK

	1 st half	1 st half
	2016	2017
CHF million		
Investment property	120.5	130.2
Financial assets of an equity nature		
Available for sale	93.3	90.9
Recognised at fair value through profit or loss	17.6	13.0
Financial assets of a debt nature		
Held to maturity	108.0	103.9
Available for sale	246.8	229.3
Recognised at fair value through profit or loss	1.6	1.0
Mortgages and loans		
Carried at cost	184.8	141.7
Recognised at fair value through profit or loss	7.5	7.0
Cash and cash equivalents	-0.1	-0.6
Total income from investments for own account and at own risk	779.9	716.4

REALISED GAINS AND LOSSES ON INVESTMENTS

REALISED GAINS AND LOSSES ON INVESTMENTS AS RECOGNISED IN THE INCOME STATEMENT

	1 st half	1 st half
	2016	2017
CHF million		
Realised gains and losses on investments for own account and at own risk	264.6	153.9
Realised gains and losses on investments for the account and at the risk of life insurance policyholders and third parties	-171.8	279.4
Realised gains and losses on investments as recognised in the income statement	92.8	433.4

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

First half of 2016	Investment property	Financial assets of an equity nature	Financial assets of a debt nature	Mortgages and loans	Derivative financial instruments	Total
CHF million						
Realised gains on disposals and book profits						
Investment property	114.1	–	–	–	–	114.1
Held to maturity ¹	–	–	0.1	–	–	0.1
Available for sale	–	74.9	158.7	–	–	233.6
Recognised at fair value through profit or loss	–	13.1	0.0	6.7	409.5	429.3
Carried at cost	–	–	–	29.1	–	29.1
Sub-total	114.1	87.9	158.8	35.8	409.5	806.2
Realised losses on disposals and book losses						
Investment property	–83.3	–	–	–	–	–83.3
Held to maturity ¹	–	–	–6.4	–	–	–6.4
Available for sale	–	–24.5	–86.4	–	–	–110.9
Recognised at fair value through profit or loss	–	–31.5	–2.2	0.0	–237.5	–271.2
Carried at cost	–	–	–	–0.1	–	–0.1
Sub-total	–83.3	–56.0	–95.1	–0.1	–237.5	–471.9
Impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–61.5	–0.3	–	–	–61.7
Carried at cost	–	–	–	–8.7	–	–8.7
Reversal of impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–	–	–	–	–
Carried at cost	–	–	–	0.7	–	0.7
Sub-total	–	–61.5	–0.3	–7.9	–	–69.7
Total realised gains and losses on investments	30.8	–29.5	63.5	27.8	172.1	264.6

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.

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

First half of 2017	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	62.8	–	–	–	–	62.8
Held to maturity ¹	–	–	30.9	–	–	30.9
Available for sale	–	137.7	186.1	–	–	323.8
Recognised at fair value through profit or loss	–	17.7	1.4	0.0	295.5	314.6
Carried at cost	–	–	–	10.7	–	10.7
Sub-total	62.8	155.4	218.4	10.7	295.5	742.8
Realised losses on disposals and book losses						
Investment property	–40.9	–	–	–	–	–40.9
Held to maturity ¹	–	–	–0.6	–	–	–0.6
Available for sale	–	–16.3	–228.4	–	–	–244.7
Recognised at fair value through profit or loss	–	–24.1	–0.4	–9.2	–248.1	–281.8
Carried at cost	–	–	–	0.1	–	0.1
Sub-total	–40.9	–40.4	–229.5	–9.1	–248.1	–568.0
Impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–20.7	–	–	–	–20.7
Carried at cost	–	–	–	–0.6	–	–0.6
Reversal of impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–	–	–	–	–
Carried at cost	–	–	–	0.4	–	0.4
Sub-total	–	–20.7	–	–0.2	–	–20.9
Total realised gains and losses on investments	21.9	94.4	–11.1	1.4	47.4	153.9

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

The disposal group reported for the 2016 financial year comprised the assets and related liabilities of the portfolio of life insurance policies held by the German branch of Baloise Life Ltd (Basler Leben DfD [Direktion für Deutschland]).

The sale of this portfolio to the Frankfurter Leben Group was approved by the German Federal Financial Supervisory Authority (BaFin) on 5 January 2017. The transfer was completed on 3 February 2017.

The financial implications are provided in the “Acquisition and disposal of companies” section on page 42 and 43.

	Disposal groups		Non-current assets	
	31.12.2016	30.6.2017	31.12.2016	30.6.2017
CHF million				
Property, plant and equipment	–	–	–	–
Intangible assets	13.2	–	–	–
Investment property	–	–	–	–
Financial assets	1,911.1	–	–	–
Other investments	–	–	–	–
Receivables	27.7	–	–	–
Other assets	9.9	–	–	–
Total assets	1,962.0	–	–	–
Technical reserves	1,888.5	–	–	–
Liabilities arising from banking business and financial contracts	–	–	–	–
Other financial obligations	14.5	–	–	–
Other liabilities	5.4	–	–	–
Total liabilities	1,908.3	–	–	–
Unrealised losses directly associated with non-current assets and disposal groups classified as held for sale	–7.6	–	–	–

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	Interest rate, credit spread, market price
Mortgages and loans		
At fair value through profit or loss	Present-value model	LIBOR, swap rates
Derivative financial instruments		
	Black-Scholes option pricing model	Money market interest rate, volatility, price of underlying instrument, exchange rates
	Black-76 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
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

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

31.12.2016	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	4,357.1	4,357.1	2,471.8	921.3	964.0
Recognised at fair value through profit or loss	1,002.3	1,002.3	310.7	691.5	–
Financial assets of a debt nature					
Available for sale	23,806.7	23,806.7	23,777.4	29.3	–
Recognised at fair value through profit or loss	30.8	30.8	25.4	5.5	–
Mortgages and loans					
Recognised at fair value through profit or loss	897.0	897.0	–	897.0	–
Derivative financial instruments	363.0	363.0	11.4	351.6	–
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	489.0	489.0	–	489.0	–
Derivative financial instruments	299.0	299.0	21.8	277.2	–
Assets measured on a recurring basis for the account and at the risk of life insurance policyholders and third parties	11,099.5	11,099.5	10,738.2	273.7	87.7
Liabilities measured on a recurring basis for the account and at the risk of life insurance policyholders and third parties	9,510.4	9,510.4	9,510.4	–	–

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

30.6.2017	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	4,572.1	4,572.1	2,625.2	830.0	1,116.8
Recognised at fair value through profit or loss	357.4	357.4	326.1	31.3	–
Financial assets of a debt nature					
Available for sale	24,731.6	24,731.6	23,376.7	1,354.9	–
Recognised at fair value through profit or loss	26.8	26.8	26.8	–	–
Mortgages and loans					
Recognised at fair value through profit or loss	841.3	841.3	–	841.3	–
Derivative financial instruments	348.0	348.0	12.6	335.4	–
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	504.5	504.5	–	504.5	–
Derivative financial instruments	185.7	185.7	16.0	169.8	–
Assets measured on a recurring basis for the account and at the risk of life insurance policyholders and third parties	12,053.2	12,053.2	11,619.4	282.7	151.1
Liabilities measured on a recurring basis for the account and at the risk of life insurance policyholders and third parties	10,379.4	10,379.4	10,323.4	56.0	–

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	Total
	Available for sale	
2016		
CHF million		
Assets and liabilities measured on a recurring basis		
Balance as at 1 January	943.1	943.1
Additions	122.3	122.3
Additions arising from change in the scope of consolidation	–	–
Additions arising from change in the percentage of shareholding	–	–
Disposals	–105.7	–105.7
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 ¹	–6.8	–6.8
Changes in fair value not recognised in profit or loss ²	18.7	18.7
Exchange differences	–7.5	–7.5
Balance as at 31 December	964.0	964.0
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	–5.8	–5.8

1 Changes in fair value recognised in profit or loss arise from realised gains and losses on investments, impairment losses or the reversal of impairment losses.
2 Changes in fair value not recognised in profit or loss arise from unrealised gains and losses on investments.

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	Total
	Available for sale	
2017		
CHF million		
Assets and liabilities measured on a recurring basis		
Balance as at 1 January	964.0	964.0
Additions	178.3	178.3
Additions arising from change in the scope of consolidation	–	–
Additions arising from change in the percentage of shareholding	–	–
Disposals	–28.0	–28.0
Disposals arising from change in the scope of consolidation	0.0	0.0
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 ¹	–6.6	–6.6
Changes in fair value not recognised in profit or loss ²	14.4	14.4
Exchange differences	–5.2	–5.2
Balance as at 30 June	1,116.8	1,116.8
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	–6.6	–6.6

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.
2 Changes in fair value not recognised in profit or loss arise from unrealised gains and losses on investments.

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

	31.12.2016		30.06.2017	
	Total carrying amount	Total fair value	Total carrying amount	Total fair value
CHF million				
Assets				
Financial assets of a debt nature				
Held to maturity	8,224.6	9,904.1	8,300.1	9,774.1
Mortgages and loans				
Carried at cost	15,457.7	16,494.6	16,267.9	17,211.2
Receivables from financial contracts				
Carried at cost	4.2	4.2	3.8	3.8
Other receivables				
Carried at cost	463.1	464.2	484.8	466.6
Receivables from investments				
Carried at cost	451.6	451.6	376.0	376.0
Liabilities				
Liabilities arising from banking business and financial contracts				
Measured at amortised cost	8,000.9	8,153.3	9,109.6	9,240.6
Financial liabilities	1,470.4	1,592.6	1,470.9	1,578.8

GAINS OR LOSSES ON FINANCIAL CONTRACTS

	1 st half	1 st half
	2016	2017
CHF million		
With discretionary participation features (DPF)		
Financial contracts with discretionary participation features (DPF)	- 26.5	- 19.5
Sub-total	- 26.5	- 19.5
Measured at amortised cost		
Interest on loans	0.0	- 0.1
Interest due	- 3.2	- 4.1
Interest arising from banking business	- 8.4	- 6.3
Interest expenses arising from repurchase agreements	2.4	3.0
Acquisition costs arising from banking business	- 6.9	- 8.6
Interest expenses arising from bonds	-	-
Expenses arising from financial contracts	- 7.6	- 6.0
Sub-total	- 23.8	- 22.0
Designated as at fair value through profit or loss		
Change in fair value of bonds	-	-
Change in fair value of other financial contracts	97.1	- 194.3
Sub-total	97.1	- 194.3
Total gains or losses on financial contracts	46.8	- 235.8
Of which: gains on interest-rate hedging instruments		
Interest-rate swaps: cash flow hedges; balance carried forward from cash flow hedge reserves	-	-
Interest-rate swaps: fair value hedges	-	-
Total gains on interest-rate hedging instruments	-	-

ACQUISITION AND DISPOSAL OF COMPANIES

	Cumulative acquisitions		Cumulative disposals	
	1 st half	1 st half	1 st half	1 st half
	2016	2017	2016	2017
CHF million				
Investments	–	386.8	–	1,911.5
Other assets	–	5.5	–	24.5
Receivables and assets	–	0.5	–	37.2
Cash and cash equivalents	–	99.2	–	0.1
Actuarial liabilities	–	–	–	–1,888.5
Other accounts payable	–	–190.8	–	–40.5
Non-controlling interests	–	–47.8	–	–
Net assets acquired / disposed of	–	253.5	–	44.5
Funds used / received for acquisitions and disposals				
Cash and cash equivalents	–	244.3	–	37.7
Offsetting	–	–	–	–
Transfer of assets	–	–	–	–
Directly attributable costs	–	–	–	–7.8
Equity instruments issued	–	–	–	–
Reclassification of investments in associates	–	–	–	–
Acquisition / disposal price	–	244.3	–	29.9
Net assets acquired / disposed of	–	–253.5	–	–44.5
Other comprehensive income	–	–	–	–7.1
Goodwill / negative goodwill or proceeds from disposals	–	–9.1	–	–21.7
Cash and cash equivalents used / received for acquisitions and disposals	–	–244.3	–	37.6
Cash and cash equivalents acquired / disposed of	–	99.2	–	–
Outflow / inflow of cash and cash equivalents	–	–145.1	–	37.6

Baloise acquired approximately 71 per cent of the shares in Pax Anlage AG, Basel, on 31 March 2017. This stake had increased to 84.1 per cent as at June 30, 2017, as a result of a public purchase order followed by additional share purchases in the second quarter of 2017. For consolidation purposes, these acquisitions were recognised as one transaction because the context was the same.

Pax Anlage AG's wholly owned subsidiary Pax Wohnbauten AG (since 3 July 2017 Baloise Wohnbauten AG) has a real-estate portfolio comprising investment properties and development projects. The intention is for the development projects to be sold at a later date. They have therefore been recognised on the balance sheet under other assets. Most of the properties are located in German-speaking Switzerland.

This transaction represents a further expansion of Baloise's real-estate portfolio and takes Baloise's total investment of insurance assets in a secure and attractive asset class to up to CHF 288 million.

The acquisition resulted in negative goodwill of CHF 10.3 million, which was recognised under other operating income. This negative goodwill arose from the remeasurement of development projects, taking account of the current situation in the real-estate market. In the acquiring Group company, there was an opposite negative effect on earnings of CHF 8.8 million as a result of applying the deferred gains / losses for policyholders' dividends.

Goodwill of CHF 1.2 million was recognised in respect of the acquisition of DrivOlution NV.

The disposals included the German companies Assekuranz Herrmann GmbH and Wilhelm Herrmann Assekuranz Makler GmbH as well as the portfolio of life insurance policies of Baloise Life Ltd. The loss on the disposal of the two Herrmann insurance companies totalled CHF 5.9 million. The sale of the portfolio of life insurance policies of Baloise Life Ltd. resulted in a loss of CHF 15.8 million. These losses were recognised under other operating expenses.

The acquisitions and disposals had no material effect for the half-year profit 2017.

INCOME TAXES

	1 st half	1 st half
	2016	2017
CHF million		
Current income taxes	- 56.3	- 57.1
Deferred income taxes	10.0	- 26.4
Total income taxes	- 46.3	- 83.5

EARNINGS PER SHARE

	1 st half	1 st half
	2016	2017
Profit for the period (attributable to shareholders) (CHF million)	223.6	299.0
Average number of shares outstanding	46,378,151	47,729,860
Basic earnings per share (CHF)	4.82	6.26

	1 st half	1 st half
	2016	2017
Profit for the period (attributable to shareholders) (CHF million)	223.6	299.0
Adjustment of interest expenses arising from convertible bonds (including tax effects) (CHF million)	4.0	–
Adjusted profit for the period (attributable to shareholders) (CHF million)	227.6	299.0
Average number of shares outstanding	46,378,151	47,729,860
Adjustment due to potential conversion of convertible bonds	929,075	–
Adjustment due to potential exercise of share-based payment plans	64,717	73,050
Adjustment due to potential exercise of put options	–	–
Adjusted average number of shares outstanding	47,371,943	47,802,910
Diluted earnings per share (CHF)	4.80	6.26

The dilution of earnings was attributable to the Performance Share Units (PSU) share-based payment plan for the reporting period. For the comparison period the dilution of earnings was attributable to the Performance Share Units (PSU) share-based payment plan and to the convertible bond issued by Baloise Holding Ltd.

RELATED PARTY TRANSACTIONS

Compared with the detailed information on related party transactions published in the 2016 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 2017 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 2016.

EVENTS AFTER THE BALANCE SHEET DAY

On 28 June 2017, the Baloise Group announced that Baloise Insurance Ltd would be acquiring a majority of the shares in Movu AG, which operates an online platform for home-moving services. The acquisition was completed on 13 July 2017. Because of the timing, the final purchase price allocation for this acquisition is not yet available and is scheduled to be completed in the second half of 2017. The Baloise Group expects this transaction to result in goodwill in the low double-digit millions.

The capital reduction, which was decided upon at the Annual General Meeting on 28 April 2017 and carried out by cancelling 1.2 million treasury shares, was entered in the commercial register on 12 July 2017. Once the capital reduction had taken effect on 12 July 2017, Baloise Holding Ltd still had 48,800,000 shares outstanding. Of this total, 1,138,245 were held by Baloise Holding Ltd together with its affiliated companies.

By the time that this half-year report had been completed on 24 August 2017 we had not become aware of any events that would have a material impact on the financial statements for the period as a whole.

General information

FINANCIAL CALENDAR AND CONTACTS

30.08.2017	Half-year financial results: conference call for analysts and the media
15.11.2017	Q3 Interim Statement
27.03.2018	Annual financial results: media conference conference call for analysts
27.04.2018	Annual General Meeting of Baloise Holding Ltd
28.08.2018	Half-year financial results: conference call for analysts and the media

Investor Relations

Marc Kaiser
Aeschengraben 21
CH-4002 Basel
Telephone +41 58 285 81 81
investor.relations@baloise.com

External Communications

Dominik Marbet
Aeschengraben 21
CH-4002 Basel
Telephone +41 58 285 84 67
media.relations@baloise.com

Publisher

Baloise Holding Ltd

www.baloise.com

GENERAL INFORMATION ON THE HALF-YEAR REPORT

This publication is intended to provide an overview of Baloise's operating performance. It contains forward-looking statements that include forecasts 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. Among the influencing factors are (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. Baloise accepts no obligation to update or revise these forward-looking statements or to allow for 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 have generally been rounded to one decimal place. Consequently, the sum total of amounts that have been rounded may in particular cases differ from the rounded total shown in this report.

The 2017 half-year report is also available in German. The German text shall prevail in the event of any discrepancy. This half-year report will also be available on the internet at www.baloise.com/half-yearreport from 30 August 2017.

Baloise Holding Ltd

Aeschengraben 21

CH-4002 Basel

www.baloise.com