

Baloise Group

HALF-YEAR REPORT

2020

Baloise Group
Half-Year Report 2020

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Baloise key figures

	30.6.2019	31.12.2019	30.6.2020	Change (%)
CHF million				
Business volume				versus 30.6.19
Gross premiums written (non-life)	2,263.6	3,542.1	2,419.5	6.9
Gross premiums written (life)	2,869.8	4,060.3	2,168.1	-24.4
Sub-total of IFRS gross premiums written ¹	5,133.4	7,602.4	4,587.6	-10.6
Investment-type premiums	880.7	1,907.5	801.6	-9.0
Total business volume	6,014.1	9,509.9	5,389.2	-10.4
Operating profit (loss)				
versus 30.6.19				
Consolidated profit / loss for the period before borrowing costs and taxes				
Non-life	226.1	398.9	135.7	-40.0
Life ²	106.3	274.8	131.3	23.5
Asset Management & Banking	42.6	91.1	37.0	-13.1
Other activities	-17.0	-41.0	-35.4	108.2
Consolidated profit for the period	393.6	689.5	176.4	-55.2
Profit (attributable to the shareholders)	395.0	694.2	177.7	-55.0
Balance sheet				
versus 31.12.19				
Technical reserves	48,334.4	48,333.3	48,590.3	0.5
Equity	6,591.9	6,715.6	6,208.4	-7.6
Ratios (per cent)				
Gross combined ratio (non-life)	87.7	88.3	96.5	
Net combined ratio (non-life)	87.4	90.4	91.1	
Key figures on the Company's shares				
versus 31.12.19 ³				
Shares issued (units)	48,800,000	48,800,000	48,800,000	0.0
Basic earnings per share ⁴ (CHF)	8.50	15.02	3.94	-53.6
Diluted earnings per share ⁴ (CHF)	8.49	14.99	3.94	-53.6
Equity per share ⁴ (CHF)	141.9	145.3	137.7	-5.2
Closing price (CHF)	172.80	175.00	142.10	-18.8
Market capitalisation (CHF million)	8,432.6	8,540.0	6,934.5	-18.8

1 Premiums written and policy fees (gross).

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

30 June 2019 CHF -0.9 million / 31 December 2019 CHF -1.8 million / 30 June 2020 CHF -2.6 million.

3 Changes in earnings per share compared with 30 June 2019.

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



Dr Andreas Burckhardt, Chairman of the Board of Directors (right), and Gert De Winter, Chief Executive Officer (left), in front of the new company headquarters at Baloise Park, staying socially distanced in light of the coronavirus pandemic.

DEAR SHAREHOLDERS,

Business life may have changed in the wake of the coronavirus pandemic, but Baloise remains a strong and solid partner for all of its stakeholders in these unusual times. We have fulfilled our obligations, especially towards our customers, shareholders and employees, in spite of huge challenges. Despite the difficult environment and uncertainty in the capital markets, we generated a profit of CHF 177.7 million for our shareholders (H1 2019: CHF 395.0 million), proving the stability and resilience of Baloise even in the current climate. Alongside extraordinary non-recurring effects in the previous year – provisions for taxes of around CHF 128 million were reversed and taken to income in the wake of a tax reform – the coronavirus pandemic was a key factor that influenced the half-year financial results. Compared with the prior-year period, the gross combined ratio in the non-life business rose by 8.8 percentage points to 96.5 per cent due to large claims in connection with COVID-19. The net combined ratio after reinsurance was 91.1 per cent. EBIT in the life business improved by 23.5 per cent to

CHF 131.3 million (H1 2019: CHF 106.3 million, adversely affected by the strengthening of reserves).

Although the current highly exceptional circumstances are affecting Baloise, we are confident that our company is very well positioned thanks to its strong balance sheet, reliable business policies, sustainable business model and proactive risk management. In addition, Baloise is now benefiting from the fact that it prepared the ground early with a variety of digital initiatives. At a time where working from home has become widespread, this helped to ensure that we were able to serve our customers without constraints, and we were even able to build on this earlier work to develop new business models.

The business strategy of Baloise is focused on the long term and on sustainable value creation – challenging conditions do not change this. We are pursuing our goal undeterred by the current conditions and are confident that we will be able to achieve it. On our journey, we will frequently need to make operational adjustments and to optimise and

refine processes in order to maintain the flexibility we need. In Belgium, we completed the acquisition of the non-life portfolio of Athora Belgium at the end of May. This transaction, which brings 360,000 new insurance customers to Baloise, will particularly strengthen our position in the region of Wallonia. In the spring, the rating agency Standard & Poor's confirmed its rating of 'A+' with a stable outlook for the Group. This also reflects the positive outlook for the German property insurance business and our strong overall competitive position in Belgium, Luxembourg and Switzerland.

“The business strategy of Baloise is focused on the long term and on sustainable value creation – challenging conditions do not change this.”

In Belgium and Switzerland, further investments were made in the 'Home' ecosystem. This ecosystem brings together a variety of services linked to the home. Equity investments in the Walloon start-up ImmoPass and in Keypoint, also a start-up, open up new opportunities to expand the service portfolio for all parties involved in property management. We also added a new element to the 'Home' ecosystem in Switzerland. Baloise is cooperating with and investing in Batmaid, a digital platform that makes it easy for users to hire properly insured and qualified cleaning staff. Batmaid supplements other services such as the dry-cleaning platform Bubble Box, the moving platform MOVU and devis.ch, a marketplace for tradespeople. Our goal for the future is to increase the potential for synergies across these platforms.

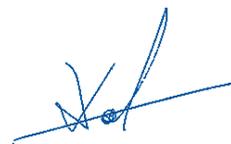
As of the end of the first half-year of 2020, the changes in the Corporate Executive Committee of Baloise that had been announced a year ago have come into effect. Following the departure of Thomas Sieber, the responsibilities of the Corporate Center function are being reallocated to the Group CEO function and the Corporate Division Finance. These adjustments form part of our ongoing strategic journey that is aimed at sharpening our strategic profile. At our Investor Day at the end of October, we are going to present a look ahead to the next strategic phase.

Baloise is confident that the goals of the Simply Safe strategic phase will be achieved by 2021. Uncertainty surrounding the further course of the coronavirus pandemic is going to persist in the second half of 2020. But thanks to its circumspect business policy, Baloise considers itself well-positioned to respond to this uncertainty appropriately and to create added value in a sustainable and lasting way.

Basel, August 2020



Dr Andreas Burckhardt
Chairman of the
Board of Directors



Gert De Winter
Group CEO

Baloise demonstrates resilience in a challenging environment and is ready for the next strategic phase

OVERVIEW, PROFIT AND BUSINESS VOLUME

The COVID-19 pandemic posed huge challenges for the global economy in the first six months of 2020. Nonetheless, Baloise demonstrated a high level of resilience at this demanding time. The Company grew both organically and through strategic acquisitions. This shows that, despite the limitations imposed by the lockdown, the Company upheld its usual high level of customer service, for example by using alternative advisory channels. The level of profitability in the non-life business is also excellent despite high claim payments in connection with the COVID-19 pandemic, which underlines the high quality of the non-life portfolio. Progress in the digitalisation of the business in recent years and the flexibility afforded by Baloise's corporate culture have enabled the Company to adjust very quickly to the new circumstances and to continue to operate without constraints. The Company remained focused on driving its cultural transformation and expanding its 'Home' and 'Mobility' ecosystems. Baloise is proving that it is able to achieve its strategic objectives even in challenging circumstances. At the Investor Day in October, the Company will present a plan for the next strategic phase. In the first six months of 2020, Baloise generated profit of CHF 177.7 million (H1 2019: CHF 395.0 million) for its shareholders and a solid business volume of CHF 5,389.2 million (H1 2019: CHF 6,014.1 million). The decline compared with the prior-year period is mainly attributable to non-recurring effects that had a positive impact on the figures for the first half of 2019. Negative factors in connection with the COVID-19 pandemic in the first half of 2020 also had an adverse impact.

The **profit attributable to shareholders** for the first half-year of 2019 benefited from tax reforms at cantonal level in Switzerland, which resulted in the reversal of deferred tax provisions under International Financial Reporting Standards (IFRS). This reversal provided a non-recurring contribution to earnings of CHF 127.7 million, which was not repeated in the first half of 2020.

Gains on investments achieved for insurance assets were down by CHF 54.6 million due to the turmoil in the capital markets caused by the COVID-19 pandemic. Claim payments and provisions set aside in light of the COVID-19 pandemic resulted in net claims incurred of CHF 62.6 million. The biggest proportion of COVID-19-related claims arose in the Swiss business with small and medium-sized enter-

prises (SMEs) as a result of preventive measures implemented by the Swiss government which forced businesses to suspend operations. Together with the Swiss Insurance Association (SIA), Baloise is advocating a private-public solution intended to ensure broad insurance cover for economic operators in future in the event of a pandemic.

The **volume of business** enjoyed a one-off uplift of CHF 560 million in 2019 as a result of a competitor withdrawing its comprehensive insurance products from the group life insurance segment in Switzerland. Most of this uplift was attributable to single premiums. The volume of business has therefore normalised compared with the prior-year period, with a fall of 10.4 per cent. It is encouraging to see that the customer support and customer acquisition measures implemented in recent months are having an effect and that, in addition to the acquisitions of Fidea and Athora, the attractive non-life business also generated organic growth of just over 1.1 per cent. Despite the preventive measures taken by governments in the Company's core markets, Baloise was able to successfully continue its business activities for existing customers and its acquisition of new customers.

BUSINESS VOLUME 2020 (GROSS) BY STRATEGIC BUSINESS UNITS

Per cent

Switzerland	54.7
Germany	14.1
Belgium	20.3
Luxembourg	10.5



EQUITY

Despite the challenging nature of the current environment, Baloise is proving its credentials as a solid business with a strong capital base and balance sheet. In the first half of 2020, Standard & Poor's (S&P) confirmed its rating of A+ for Baloise. The outlook for the German business unit Basler Sachversicherungs-AG was upgraded from 'stable' to 'positive' by S&P in light of its improved profitability. Although equity fell to CHF 6,208.4 million (31 December 2019: CHF 6,715.6 million) as a result of the dividend

payment, the share repurchase completed in March and a downward adjustment of the valuation of available-for-sale financial assets, it remains at a high level.

PERFORMANCE AND TRENDS IN THE SEGMENTS

The volume of premiums in the non-life business advanced by a very encouraging 6.9 per cent (10.6 per cent in local currency terms) to CHF 2,419.5 million (30 June 2019: CHF 2,263.6 million). All business units in the non-life business reported growth in local currency terms. The largest share of the premium growth was attributable to the two acquisitions in Belgium. The premium volume of the Belgian business unit grew by 24.8 per cent (32.4 per cent in local currency terms) as a result of the acquisitions of Fidea and the non-life portfolio of Athora, earning the business unit a place among the top 4 providers in this market. Non-life premiums in Switzerland increased by a solid 1.4 per cent. The business units in Germany and Luxembourg reported growth in premium volumes of 2.3 per cent and 5.2 per cent respectively in local currency terms.

Profit before borrowing costs and taxes (EBIT) in the non-life business fell to CHF 135.7 million (H1 2019: CHF 226.1 million) due to coronavirus-related claims and lower gains on investments. After measures to reduce the impact of claims, coronavirus-related expenses amounted to CHF 62.6 million, which is consistent with the estimate of a figure in the mid-tens of millions published at the end of April. Nonetheless, the net combined ratio remained at an

excellent level of 91.1 per cent (H1 2019: 87.4 per cent) and is within the communicated target range of 90–95 per cent. All business units contributed to this high level of profitability, although the excellent net combined ratio of the Luxembourg business unit (83.7 per cent) and the net combined ratio of the German business unit (93.1 per cent) deserve particular mention. The latter illustrates the encouraging turnaround of the German business. The Swiss business unit's net combined ratio was excellent as usual, at 88.6 per cent, despite the adverse impact of COVID-19. The Belgian business unit also performed well with a ratio of 92.0 per cent.

The volume of premiums collected in the traditional life business fell by 24.4 per cent year on year to CHF 2,168.1 million (H1 2019: CHF 2,869.8 million). In the prior-year period, the premium volume had benefited from the non-recurring effect of a competitor in the Swiss group life business withdrawing its comprehensive insurance products from the market. The corresponding uplift was mainly attributable to single premiums and was not repeated in the current year. The volume of premiums therefore normalised accordingly. The interest margin stood at a solid 107 basis points and the risk result in the life insurance business came to a healthy CHF 107 million.

The volume of premiums in the business with investment-type premiums was down in comparison with the prior-year period, falling by 9.0 per cent to CHF 801.6 million (H1 2019: CHF 880.7 million). This decline was due to the

ASSET ALLOCATION IN INSURANCE¹

	31.12.2019			30.6.2020		
	Non-life	Life	Total	Non-life	Life	Total
CHF million						
Investment property	994.7	7,098.6	8,093.3	991.9	7,319.3	8,311.2
Equities	1,017.5	2,545.7	3,563.2	961.1	2,427.1	3,388.2
Alternative financial assets ²	296.5	806.3	1,102.8	368.2	666.9	1,035.1
Fixed-income securities	5,577.9	28,866.5	34,444.4	5,856.7	28,657.8	34,514.5
Mortgage assets	488.5	4,075.2	4,563.7	482.5	4,066.2	4,548.7
Policy loans and other loans	1,607.2	5,041.5	6,648.7	1,719.1	5,031.1	6,750.2
Derivative financial instruments	18.8	436.1	454.9	25.8	460.7	486.5
Cash and cash equivalents	395.6	841.4	1,237.0	325.9	813.8	1,139.7
Total	10,396.8	49,711.3	60,108.1	10,731.2	49,442.9	60,174.1

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

² The volume of alternative financial assets fell as a result of low valuations in private equity and a winding-down of the hedge fund portfolio in line with strategy.

persistently challenging market conditions for investment-type products in Luxembourg.

Profit before taxes and borrowing costs (EBIT) in the life business improved by 23.5 per cent to CHF 131.3 million (H1 2019: CHF 106.3 million), which was partly attributable to a slightly reduced need to set aside reserves compared with the prior-year period. The new business margin in the life business was healthy at 44.9 per cent in the first half of 2020 (H1 2019: 34.2 per cent).

COMBINED RATIO NET PERFORMANCE

Per cent, first half of the year



The **Asset Management and Banking** division achieved a solid half-year result with an EBIT of CHF 37.0 million (H1 2019: CHF 42.6 million). EBIT in the Asset Management division remained stable despite the market turmoil, but extraordinary capital investment by Baloise Bank SoBa in the optimisation and improvement of its sales structure, aimed at strengthening its future competitiveness, resulted in a non-recurring charge.

The gains achieved on the investment of insurance assets amounted to CHF 615.8 million and were therefore lower than in the prior-year period (H1 2019: CHF 670.4 million).

The interest-rate environment became more challenging once again in the reporting period. Current income fell below the prior-year level to CHF 571.6 million (H1 2019: CHF 615.0 million). This decline was a direct consequence of the fall in yields to be earned on reinvestments of maturing bonds and mortgages. The net gains recognised in the income statement were up by CHF 64.7 million compared with the first half of 2019 at CHF 311.3 million. Impairment losses increased by CHF 100 million to CHF 148.5 million compared with the prior-year period. This was mainly due to the turmoil in the equity market caused by the COVID-19 pandemic. The currency-related losses of CHF 55.4 million

were attributable to currency hedging costs and to currency effects arising on unhedged currency exposures. The gains on investments achieved for insurance assets equated to a net return of 1.0 per cent, which is slightly lower than the figure for the prior-year period (H1 2019: 1.2 per cent). The volume of unrealised gains contracted due to the correction in the equity market and spread movements. 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 – fell by 3.3 percentage points compared with the prior-year period to 0.6 per cent. In spite of the challenging market conditions, Baloise was able to generate an increase in external clients' assets of CHF 341 million. The total volume of client assets acquired since the start of the strategic realignment in 2017 now stands at CHF 2.4 billion.

PERFORMANCE AND TRENDS IN THE REGIONAL MARKETS

Switzerland

Despite the coronavirus-related increase in claim payments, especially in connection with the suspension of operations of many SMEs, Basler Switzerland had a successful first half of 2020. Profit before borrowing costs and taxes (EBIT) came to CHF 174.9 million (H1 2019: CHF 277.9 million). This decline was mainly due to lower returns on investments and higher claims incurred compared with the exceptionally good previous year. The net combined ratio in the non-life business stood at an excellent 88.6 per cent despite the COVID-19 pandemic (H1 2019: 82.6 per cent). The volume of business declined in line with expectations by 19.2 per cent, from CHF 3,649.7 million as reported in the 2019 half-year results to CHF 2,949.3 million in the 2020 half-year results. This was mainly due to the fact that a competitor in the group life business withdrew its comprehensive insurance products from the market in 2019, which resulted in a one-off rise in the volume of premiums, most of which were single premiums.

The premium volume in the **non-life business** increased by a solid 1.4 per cent to CHF 1,056.5 million (H1 2019: CHF 1,042.3 million). This is encouraging news, because it indicates that the customer support and customer acquisition measures implemented by the Company have been effective, even under the challenging conditions in recent months.

In the **life business**, the volume of IFRS premiums fell by 27.5 per cent due to the aforementioned reasons, from CHF 2,556.4 million in H1 2019 to CHF 1,852.6 million. This means that the volume of premiums in the life insurance business has normalised to a level consistent with that of previous years, which have been characterised by a restrictive underwriting policy because of the low interest rate environment.

In terms of the combined insurance and banking business model implemented in conjunction with **Baloise Bank SoBa** (all figures reported according to local accounting standards), it was clear once again in the first half of 2020 that the strategic focus on insurance and asset management from a single source addresses existing customer needs. The bank's net profit was down from CHF 12.6 million in H1 2019 to CHF 8.8 million. This is attributable to the non-recurring effect of investments of CHF 4.8 million in the strategic development of the business model. Without this effect, net profit in the reporting period would have been higher than in the prior-year period. Assets under management increased by 12.1 per cent.

Although the coronavirus pandemic did not leave the insurance market unscathed, Perspectiva continued to report an encouraging level of growth as at 30 June 2020. At present, Perspectiva has 2,776 corporate customers with more than 12,000 policyholders in total. This is equivalent to a 40 per cent increase in corporate customers compared with 30 June 2019. Perspectiva currently manages assets of around CHF 837 million (30 June 2019: around CHF 660 million). Baloise also continued to progress measures initiated under its Simply Safe strategy to drive forward the Company's digital and cultural transformation. Baloise expanded its range of offers in the 'Home' ecosystem in Switzerland by investing in and cooperating with Batmaid, a digital platform for domestic cleaning services.

Germany

The 2020 half-year financial results demonstrate the turnaround of the German business unit and underline its strong resilience. EBIT in the financial statements for the first half of 2020 came to CHF 32.4 million and thus exceeded the prior-year figure by CHF 20.5 million. The excellent net combined ratio of 93.1 per cent (H1 2019: 91.2 per cent) in spite of coronavirus-related effects clearly demonstrates the

resilience of the successfully restructured German **non-life business**. The business mix in the non-life business developed according to plan: the retail customer business grew, while the proportion of business from industrial clients was reduced through systematic portfolio management.

The volume of IFRS gross premiums written in the non-life business fell by 3.7 per cent due to currency effects, from CHF 507.3 million in the prior-year period to CHF 488.8 million in the first half of 2020. In local-currency terms, however, the non-life business of Basler Germany grew by a healthy 2.3 per cent.

The **life business** delivered a solid performance as well, in spite of the challenging environment. Gross premiums written in the traditional life insurance business fell by 5.1 per cent to CHF 179.2 million as a result of currency effects (H1 2019: CHF 188.9 million), but grew by 0.7 per cent in local-currency terms. The new business mix in the life insurance segment remained positive with a very high proportion of risk products and products with investment-type premiums, despite a fall in investment-type premiums of 11.5 per cent to CHF 93.0 million, equivalent to a 6.1 per cent fall in local-currency terms.

The total volume of IFRS gross premiums generated came to CHF 668.0 million (H1 2019: CHF 696.2 million). This equates to a decline of 4.1 per cent in Swiss francs, but growth of 1.8 per cent in local-currency terms.

The successful turnaround and the positive performance of the business have also been recognised by Standard & Poor's. The rating agency upgraded its assessment from an A rating with a stable outlook to an A rating with a positive outlook, which underlines the improved profitability of Basler Germany. But the improved strength of the German business unit and its return to a profitable path are reflected not only in the key performance figures. Its popularity with customers also shows that the efforts undertaken in recent years have started to bear fruit. In the first half of 2020, Basler Germany welcomed its two millionth customer and was ranked among the best 50 companies in the TOP SERVICE Deutschland competition for the fourth time in a row. Last time, it even reached a great 14th place in the ranking. The employees of Basler Germany have played a decisive part in achieving these successes and this was reflected in a significantly higher level of employee satisfaction.

Belgium

The Belgian business unit also proved resilient amid the turmoil of the first six months of 2020 and achieved a significantly better result than in the prior-year period. The EBIT of the Belgian business unit rose by 46.6 per cent to CHF 105.1 million (H1 2019: CHF 71.7 million). The acquisition of Fidea and an improvement in the combined ratio of 4.2 percentage points contributed substantially to this result. The volume of premiums also grew strongly in the first six months of 2020 compared with the prior-year period. IFRS premiums rose by 23.3 per cent to CHF 864.9 million (H1 2019: CHF 701.4 million). This steep increase is attributable to the integration of the Fidea and Athora portfolios. But even excluding these acquisitions, the Belgian business unit still generated a healthy level of organic growth in premiums of 9.8 per cent in local currency terms (3.4 per cent in Swiss francs) in the non-life business and 0.9 per cent in local currency terms (minus 4.9 per cent in Swiss francs) in the life business.

Gross premiums in the **non-life business** came to CHF 772.7 million (H1 2019: CHF 619.3 million), which is equivalent to a 24.8 per cent increase in spite of negative currency effects. The main drivers behind this rise were the acquisitions of Fidea and the non-life portfolio of Athora.

Compared with the prior-year period, which had been adversely affected by severe weather and large claims, the claims environment in Belgium in the first half of 2020 was benign despite the COVID-19 pandemic – not least because the latter did not result in extraordinary claim payments in Belgium. As a result, the net combined ratio fell by 4.2 percentage points compared with the prior-year period to 92.0 per cent. This excellent figure also shows that the integration of Fidea has been carried out successfully and that initial synergies have been generated.

The performance of the **life business** was encouraging too. Gross premiums written rose by 12.4 per cent to CHF 92.2 million in the wake of the acquisition of Fidea (H1 2019: CHF 82.1 million). The volume of investment-type premiums exceeded the strong prior-year figure by 2.8 per cent, reaching CHF 229.6 million in the first half of 2020 (H1 2019: CHF 223.3 million).

In addition to this strong business performance, the Belgian business unit also focused on expanding its ecosystems. The product offering for the 'Home' ecosystem was expanded

substantially through equity investments in the property management platforms ImmoPass and Keypoint. Moreover, the Cyber Safe Family product offered by the Belgian business unit won the international award for the most innovative solution in the Product and Services Innovation category at the Efma-Accenture Innovation in Insurance Awards. The product is the first e-insurance product for private individuals in Belgium which offers customers and their families protection when using social networks, shopping online or generally browsing the internet.

Luxembourg

The Luxembourg business unit is absorbing the impact of the COVID-19 pandemic well. All in all, IFRS premiums rose by 1.1 per cent to CHF 128.4 million (H1 2019: CHF 126.9 million). Premiums in the non-life business recorded a slight fall of 0.8 per cent to CHF 84.3 million (H1 2019: CHF 85.0 million), but adjusted for currency effects, the segment recorded healthy growth of 5.2 per cent. This was mainly attributable to the recently implemented new sales strategy in the segment for promising SMEs. This underlying positive growth trend was also reflected in the performance of the traditional life business, which recorded a rise in premium volume of 5.2 per cent to CHF 44.1 million (H1 2019: CHF 41.9 million). Adjusted for currency effects, this equates to an increase of 11.6 per cent.

The market environment for investment-type premiums was challenging due to persistent volatility in the market. As a result, business in this segment fell by 12.5 per cent to CHF 438.8 million in the first half of 2020 (H1 2019: CHF 501.2 million).

In spite of the turmoil in the capital markets, the Luxembourg business unit manages customer assets of around CHF 11 billion.

The profitability in the non-life business increased significantly compared with the prior-year period. The net combined ratio improved by 8.3 percentage points to 83.7 per cent (H1 2019: 92.0 per cent). This was due to the fact that fewer claims were incurred in Luxembourg during the lockdown and that the result was not affected by restructuring costs, which had resulted in a non-recurring charge in the prior-year period.

INNOVATION

Baloise continued to invest in the 'Mobility' and 'Home' ecosystems. Investments in the first six months of 2020 were primarily focused on the 'Home' ecosystem. In Switzerland, Baloise further expanded its range of offers in this ecosystem by cooperating with and investing in Batmaid, a digital platform for domestic cleaning services. Customers visiting the batmaid.ch website can hire properly insured and qualified cleaning staff online within one minute. The company's integrated trust service registers workers and takes care of payroll taxes on behalf of its customers. The cleaning staff have the benefit of declared work and social insurance cover. In Belgium, Baloise impressed customers with two new innovations. In collaboration with the Belgian start-up Keypoint, Baloise has developed a new digital assistant designed to simplify the work of property managers. In a bid to address the shortage of professional property managers in Belgium, Keypoint has developed a digital platform that brings all relevant parties together and helps them to carry out property management tasks. The second innovation involved an investment by Baloise in the Walloon start-up ImmoPass, a service provider in the field of technical property checks. Potential buyers or property managers can use the ImmoPass system to assess the technical condition of their building in order to avoid unexpected renovation costs. In the coming months, Baloise will continue to use the fresh input generated by these innovations in order to offer new and compelling solutions to its customers.

OUTLOOK

“What we have achieved in the first half of 2020 is extraordinary and it makes me proud to know that, as a company, we were able to deliver our services for all of our stakeholders without interruption and at the high level they have come to expect of us. In the past few months, we have mastered a steep learning curve, improved our efficiency and become quicker thanks to the use of new technologies. This strengthens my confidence that we are going to achieve our Simply Safe goals by 2021 and conclude the 2020 financial year with solid earnings and a level of cash generation as robust as before. Building on these strong foundations, we will move into the next strategic phase with ambition and courage. At our Investor Day in October, we will explain what this phase is going to involve.”

Gert De Winter, Group CEO

BALOISE SHARES

In 2019, the stock markets recorded impressive share price gains. However, this year, the global economy has been overshadowed by uncertainty in connection with the coronavirus pandemic. In the first quarter of 2020, the global equity markets collapsed by around 30 per cent at a record pace. At the end of March 2020, the markets reached their lowest point. Emergency monetary policy measures implemented by the central banks subsequently helped the stock markets to recover. Some markets have already returned to pre-crisis levels. The US Federal Reserve has so far purchased government and corporate bonds with a total volume of USD 2.7 trillion. The European Central Bank expanded the volume of its pandemic emergency purchase programme (PEPP) from EUR 600 billion to EUR 1,350 billion in June. While most share prices have rallied strongly, the real economy is recovering at a very slow pace. The lockdown measures that were implemented in response to the coronavirus pandemic have triggered the deepest recession on record. Consumer spending, which had been the driving force behind global economic growth in recent years, practically came to a standstill overnight as containment measures were imposed. This resulted in an unprecedented economic crash with disastrous consequences, especially for the service sector. Large-scale economic policy measures such as salary support schemes for employees on reduced working hours and support packages for those sectors most vulnerable to the fallout from the pandemic were implemented to mitigate the impact of the crisis, but there is no avoiding a deep global recession.

The bond market experienced high levels of volatility and significant expansion in spreads, especially around the end of the first quarter and the start of the second quarter of 2020. For certain sectors in which conditions had already been fragile before the pandemic, the global demand shock hit at a particularly bad time. The additional uncertainty arising from the coronavirus pandemic sent spreads on investment-grade euro bonds rocketing to 239 basis points – around 150 basis points wider than spread levels at the start of the year. Spreads on corporate bonds denominated in US dollars temporarily climbed to as much as 375 basis points. However, announcements of far-reaching monetary and fiscal policy measures helped to turn the trend in the bond markets around and spreads are gradually narrowing

again. Baloise shares* were not immune to the uncertainty in connection with the coronavirus pandemic. On 23 March 2020, Baloise's share price reached a low of CHF 105.70. However, the shares subsequently recovered and closed the first half of the year at CHF 142.10 (down by 18.8 per cent). This means that Baloise shares underperformed the Swiss Market Index (SMI) by 12.42 per cent but outperformed the Swiss insurance sector index (SWX SP INSURANCE) by 4.7 per cent.

This performance demonstrates that even in the current conditions, Baloise is very well positioned thanks to its strong balance sheet, reliable business policies, sustainable business model and proactive risk management. The shares in Baloise Holding Ltd were widely held and their free float remained unchanged at 100 per cent. There were no material changes in the Company's shareholder base during the first half of the year.

* Baloise shares = shares of Baloise Holding Ltd

KEY FIGURES ON THE COMPANY'S SHARES

	30.6.2019	31.12.2019	30.6.2020	Change (%) versus 31.12.2019 ¹
Shares issued (units)	48,800,000	48,800,000	48,800,000	0.0
Basic earnings per share (CHF)	8.50	15.02	3.94	-53.6
Diluted earnings per share (CHF)	8.49	14.99	3.94	-53.6
Equity per share ² (CHF)	141.9	145.3	137.7	-5.2
Closing price (CHF)	172.80	175.00	142.10	-18.8
Market capitalisation (CHF million)	8,432.6	8,540.0	6,934.5	-18.8

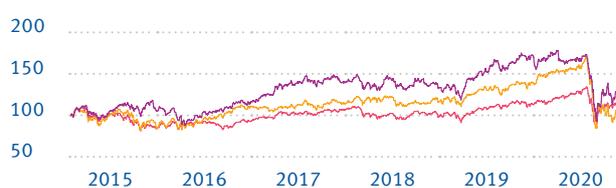
¹ Changes in earnings per share* compared with 30 June 2019.

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 PERFORMANCE¹ OF BALOISE HOLDING LTD REGISTERED SHARES 2015–2020



¹ 30 June 2015 = 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 2019	Group	Switzerland	Germany	Belgium	Luxembourg ²
CHF million					
Non-life	2,263.6	1,042.3	507.3	619.3	85.0
Life	2,869.8	2,556.4	188.9	82.1	41.9
Sub-total of IFRS gross premiums written¹	5,133.4	3,598.7	696.2	701.4	126.9
Investment-type premiums	880.7	51.0	105.1	223.3	501.2
Total business volume	6,014.1	3,649.7	801.3	924.7	628.2

BUSINESS VOLUMES

First half of 2020	Group	Switzerland	Germany	Belgium	Luxembourg ²
CHF million					
Non-life	2,419.5	1,056.5	488.8	772.7	84.3
Life	2,168.1	1,852.6	179.2	92.2	44.1
Sub-total of IFRS gross premiums written¹	4,587.6	2,909.0	668.0	864.9	128.4
Investment-type premiums	801.6	40.2	93.0	229.6	438.8
Total business volume	5,389.2	2,949.3	761.0	1,094.5	567.2

1 Premiums written and policy fees (gross).

2 Including Baloise Life Liechtenstein.

PREMIUMS EARNED (GROSS) FIRST HALF OF THE YEAR

	Non-life		Life		Total	
	2019	2020	2019	2020	2019	2020
CHF million						
IFRS gross premiums written	2,263.6	2,419.5	2,869.8	2,168.1	5,133.4	4,587.6
Change in unearned premium reserves	-584.8	-604.2	-	-	-584.8	-604.2
Premiums earned and policy fees	1,678.8	1,815.2	2,869.8	2,168.1	4,548.6	3,983.4

NON-LIFE GROSS PREMIUMS BY SECTOR

	1 st half	1 st half	+/- %
	2019	2020	
CHF million			
Accident	295.5	312.3	5.7
Health	128.2	134.7	5.1
General liability	233.2	241.8	3.7
Motor	752.6	797.6	6.0
Property	667.2	734.2	10.0
Marine	105.3	109.5	4.0
Other	47.5	54.3	14.3
Inward reinsurance	34.2	35.1	2.6
Gross premiums written, non-life	2,263.6	2,419.5	6.9

LIFE GROSS PREMIUMS BY SECTOR

	1 st half	1 st half	+/- %
	2019	2020	
CHF million			
Business volume of single premiums	1,915.6	1,179.4	- 38.4
Business volume of periodic premiums	1,834.8	1,790.3	- 2.4
Investment-type premiums	- 880.7	- 801.6	- 9.0
Gross premiums written (life)	2,869.8	2,168.1	- 24.5

NET COMBINED RATIO

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

NET COMBINED RATIO

First half of 2020	Group	Switzerland	Germany	Belgium	Luxembourg
As a percentage of premiums earned					
Claims ratio ¹	59.7	61.5	57.4	59.0	50.0
Expense ratio	31.4	27.1	35.7	33.0	33.7
Combined ratio	91.1	88.6	93.1	92.0	83.7

¹ Including profit-sharing ratio.

GROSS AND NET COMBINED RATIOS FIRST HALF

	Gross (Group)		Net (Group)	
	2019	2020	2019	2020
As a percentage of premiums earned				
Claims ratio ¹	57.0	66.4	55.2	59.7
Expense ratio	30.7	30.1	32.2	31.4
Combined ratio	87.7	96.5	87.4	91.1

¹ Including profit-sharing ratio.

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Consolidated balance sheet (unaudited)

	31.12.2019	30.6.2020
CHF million		
Assets		
Property, plant and equipment	362.8	333.4
Intangible assets	1,034.7	1,113.3
Investments in associates	387.4	385.9
Investment property	8,120.1	8,334.7
Financial assets of an equity nature		
Available for sale	4,351.1	3,977.1
Recognised at fair value through profit or loss	11,881.8	11,079.6
Financial assets of a debt nature		
Held to maturity	7,475.5	7,222.4
Available for sale	27,101.5	27,429.0
Recognised at fair value through profit or loss	2,172.0	2,048.9
Mortgages and loans		
Carried at cost	15,773.9	15,837.6
Recognised at fair value through profit or loss	1,039.1	1,024.6
Derivative financial instruments	1,048.1	1,047.9
Reinsurance assets	577.1	775.9
Receivables from reinsurers	51.3	72.4
Insurance receivables	498.9	581.2
Receivables from employee benefits	6.3	9.7
Other receivables	279.9	489.2
Receivables from investments	375.7	313.1
Deferred tax assets	97.4	77.9
Current income tax assets	74.5	62.1
Other assets	320.7	284.2
Cash and cash equivalents	3,988.0	4,061.4
Total assets	87,017.8	86,561.3

	31.12.2019	30.6.2020
CHF million		
Equity and liabilities		
Equity		
Share capital	4.9	4.9
Capital reserves	354.7	356.8
Treasury shares	-481.8	-590.4
Unrealised gains and losses (net)	-3.2	-294.4
Retained earnings	6,839.4	6,729.7
Equity before non-controlling interests	6,714.0	6,206.6
Non-controlling interests	1.6	1.9
Total equity	6,715.6	6,208.4
Liabilities		
Technical reserves (gross)	48,333.3	48,590.3
Liabilities arising from the banking business and financial contracts		
With discretionary participation features (DPF)	3,940.1	3,896.2
Measured at amortised cost	7,593.8	8,933.5
Recognised at fair value through profit or loss	13,006.5	12,211.7
Financial liabilities	2,368.0	2,361.1
Non-technical provisions	52.9	51.1
Derivative financial instruments	117.5	154.1
Insurance liabilities	1,807.5	1,121.6
Liabilities arising from employee benefits	1,294.1	1,351.0
Other accounts payable	668.0	608.3
Deferred tax liabilities	938.5	928.0
Current income tax liabilities	75.7	39.6
Other liabilities	106.5	106.4
Total liabilities	80,302.2	80,352.9
Total equity and liabilities	87,017.8	86,561.3

Consolidated income statement (unaudited)

	1 st half	1 st half
	2019	2020
CHF million		
Income		
Premiums earned and policy fees (gross)	4,548.6	3,983.4
Reinsurance premiums ceded	- 122.3	- 123.6
Premiums earned and policy fees (net)	4,426.3	3,859.8
Investment income	657.1	610.2
Realised gains and losses on investments		
For own account and at own risk	145.1	90.5
For the account and at risk of life insurance policyholders and third parties	1,035.0	- 838.9
Income from services rendered	56.5	58.1
Share of profit (loss) of associates	4.6	12.6
Other operating income	100.5	82.9
Income	6,425.2	3,875.3
Expense		
Claims and benefits paid (gross)	- 3,367.9	- 3,531.8
Change in technical reserves (gross)	- 1,014.2	138.4
Reinsurers' share of claims incurred	96.2	196.6
Acquisition costs	- 264.2	- 304.1
Operating and administrative expenses for insurance business	- 396.8	- 413.5
Investment management expenses	- 40.6	- 43.0
Interest expenses on insurance liabilities	- 8.6	- 7.9
Gains or losses on financial contracts	- 828.5	578.8
Other operating expenses	- 242.5	- 220.1
Expense	- 6,067.2	- 3,606.6
Profit for the period before borrowing costs and taxes	358.0	268.6
Borrowing costs	- 19.3	- 17.9
Profit for the period before taxes	338.6	250.8
Income taxes	54.9	- 74.4
Profit for the period	393.6	176.4
Attributable to:		
Shareholders	395.0	177.7
Non-controlling interests	- 1.4	- 1.4
Earnings / loss per share		
Basic (CHF)	8.50	3.94
Diluted (CHF)	8.49	3.94

Consolidated statement of comprehensive income (unaudited)

	1 st half	1 st half
	2019	2020
CHF million		
Profit for the period	393.6	176.4
Items not to be reclassified to the income statement		
Change in reserves arising from assets and liabilities of defined benefit post-employment benefits	- 194.4	- 81.6
Change arising from shadow accounting	43.5	- 1.2
Deferred income taxes	19.3	11.4
Total items not to be reclassified to the income statement	- 131.6	- 71.4
Items to be transferred to the income statement		
Change in unrealised gains and losses on available-for-sale financial assets	1,492.7	- 335.6
Change in unrealised gains and losses on associates	5.4	- 0.9
Change in hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	14.0	31.2
Change in reserves arising from reclassification of held-to-maturity financial assets	- 0.4	- 0.4
Change arising from shadow accounting	- 602.8	138.4
Exchange differences	- 42.0	- 87.1
Deferred income taxes	- 183.2	34.5
Total items to be transferred to the income statement	683.8	- 219.8
Other comprehensive income	552.1	- 291.2
Comprehensive income (for the period)	945.7	- 114.8
Attributable to:		
Shareholders	947.0	- 113.5
Non-controlling interests	- 1.3	- 1.4

Consolidated cash flow statement (unaudited)

	1 st half	1 st half
	2019	2020
CHF million		
Cash flow from operating activities		
Profit before taxes	338.6	250.8
Adjustments for		
Depreciation, amortisation and impairment of property, plant and equipment and of intangible assets	39.8	44.3
Realised gains and losses on property, plant and equipment and on intangible assets	0.0	0.0
Income from investments in associates	-4.6	-14.0
Realised gains and losses on financial assets, investment property and associates	-1,143.8	732.2
Amortised cost valuation of financial instruments	2.6	15.5
Change in assets and liabilities from operating activities		
Deferred acquisition costs	-32.8	-36.5
Technical reserves	1,511.9	356.2
Reinsurers' share of technical reserves	-71.5	-140.5
Receivables and liabilities arising from banking business and financial contracts	1,413.6	741.4
Receivables from investments	74.0	55.8
Receivables and liabilities arising from insurance business and from reinsurers	-966.6	-772.8
Change in other assets and other liabilities from operating activities	-49.2	-269.9
Change in operating assets and liabilities		
Purchase of investment property	-232.8	-242.5
Sale of investment property	44.4	50.5
Purchase of financial assets of an equity nature	-3,053.8	-1,397.7
Sale of financial assets of an equity nature	3,103.7	1,214.7
Purchase of financial assets of a debt nature	-3,815.0	-3,665.0
Sale of financial assets of a debt nature	3,589.1	3,298.9
Addition of mortgages and loans	-22,031.7	-10,782.8
Disposal of mortgages and loans	21,622.3	10,705.6
Addition of derivative financial instruments	-327.8	-20.6
Disposal of derivative financial instruments	199.4	186.9
Borrowing costs	19.3	17.9
Taxes paid	-86.6	-59.2
Cash flow from operating activities	142.8	269.1

	1 st half	1 st half
	2019	2020
CHF million		
Cash flow from investing activities		
Purchase of property, plant and equipment	-15.4	3.2
Sale of property, plant and equipment	0.3	0.5
Purchase of intangible assets	-22.2	-23.3
Sale of intangible assets	-	0.0
Acquisition of companies, net of cash and cash equivalents	-37.4	269.7
Disposal of companies, net of cash and cash equivalents	-	-
Purchase of investments in associates	-175.4	-1.4
Sale of investments in associates	-	-
Dividends from associates	7.0	11.6
Cash flow from investing activities	-243.0	260.4
Cash flow from financing activities		
Additions to financial liabilities	200.1	-
Disposals of financial liabilities	-175.0	-
Borrowing costs paid	-14.5	-11.9
Repayments of principal in connection with leases	-8.0	-8.4
Purchase of treasury shares	-85.4	-145.2
Sale of treasury shares	36.4	38.6
Cash flow attributable to non-controlling interests	-0.3	-0.4
Dividends paid	-278.6	-287.4
Cash flow from financing activities	-325.2	-414.6
Total cash flow	-425.4	114.9
Cash and cash equivalents		
Balance as at 1 January	4,036.2	3,988.0
Change during the financial year	-425.4	114.9
Effect of changes in exchange rates on cash and cash equivalents	-23.3	-41.5
Balance as at 31 December	3,587.4	4,061.4
Breakdown of cash and cash equivalents at the balance sheet date		
Cash and bank balances	1,990.9	2,631.8
Cash equivalents	0.1	0.0
Cash and cash equivalents for the account and at the risk of life insurance policyholders	1,596.5	1,429.6
Balance as at 31 December	3,587.4	4,061.4
Of which: restricted cash and cash equivalents	182.4	151.2
Supplemental disclosures on cash flow from operating activities		
Interest received	353.1	337.3
Dividends received	50.6	42.4
Interest paid	-11.7	-9.4

Consolidated statement of changes in equity (unaudited)

2019	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	4.9	352.3	-291.8	-515.4	6,420.5	5,970.6	37.6	6,008.2
Profit for the period	-	-	-	-	395.0	395.0	-1.4	393.6
Other comprehensive income	-	-	-	552.1	-	552.1	0.0	552.1
Comprehensive income	-	-	-	552.1	395.0	947.0	-1.3	945.7
Other changes in equity								
Dividend	-	-	-	-	-278.6	-278.6	-0.3	-278.8
Capital increase / repayment	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-21.8	-63.6	-	-	-85.4	-	-85.4
Sale of treasury shares	-	14.4	22.1	-	-	36.4	-	36.4
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	-	-	-	-	-	-	-34.1	-34.1
Other	-	-	-	-	-0.1	-0.1	-	-0.1
Balance as at 30 June	4.9	344.9	-333.3	36.7	6,536.9	6,590.0	1.9	6,591.9

2020	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	4.9	354.7	-481.8	-3.2	6,839.4	6,714.0	1.6	6,715.6
Profit for the period	-	-	-	-	177.7	177.7	-1.4	176.4
Other comprehensive income	-	-	-	-291.2	-	-291.2	0.0	-291.2
Comprehensive income	-	-	-	-291.2	177.7	-113.4	-1.4	-114.8
Other changes in equity								
Dividend	-	-	-	-	-287.4	-287.4	-0.4	-287.8
Capital increase / repayment	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-15.1	-130.0	-	-	-145.2	-	-145.2
Sale of treasury shares	-	17.3	21.3	-	-	38.6	-	38.6
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	-	-	-	-	-	-	2.0	2.0
Other	-	-	-	-	-	-	-	-
Balance as at 30 June	4.9	356.8	-590.4	-294.4	6,729.7	6,206.6	1.9	6,208.4

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 2019 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 2019.

All amounts shown in these IFRS half-year financial statements are stated in millions of Swiss francs (CHF million) and have been rounded to one decimal place. Consequently, the sum total of amounts that have been rounded may in isolated cases differ from the rounded total shown in this report.

APPLICATION OF NEW FINANCIAL REPORTING STANDARDS

Newly applied IFRSs and interpretations

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

By opting to apply the temporary exemption, the Baloise Group is adopting the deferral approach, which enables it to adopt IFRS 9 and IFRS 17 simultaneously with effect from 1 January 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.

CHANGES IN SHAREHOLDINGS AND IN THE GROUP OF CONSOLIDATED ENTITIES

In the first half of 2020, the Group structure was simplified with the following company mergers:

- ▶ Merger of Artires AG into Baloise Life Ltd with effect from 1 January 2020.
- ▶ Merger of Baloise Asset Management Schweiz AG and Baloise Immobilien Management AG with effect from 1 April 2020.
- ▶ Merger of Fidea NV into Baloise Belgium NV with effect from 4 May 2020.

On 31 May 2020, the Baloise Group acquired the non-life insurance portfolio of Athora Belgium. The acquisition strengthens Baloise's position in the Wallonia region and is the ideal complement to Baloise Belgium's presence in the Flanders region.

The Belgium strategic business unit invested in the innovative start-up Keypoint BV, acquiring a 28.75 per cent equity interest with effect from 17 February 2020. Baloise and Keypoint are jointly developing a new digital assistant that is designed to simplify the work of property managers. Also in Belgium, on 19 June 2020 Baloise acquired a 27 per cent stake in Walloon start-up Immopass SRL, a service provider specialising in technical property inspection. The total cost of these two capital investments was in the low single-digit millions.

EXCHANGE RATES

CURRENCY	Balance sheet		Income statement	
	31.12.2019	30.6.2020	ø 2019	ø 2020
CHF				
1 EUR (euro)	1.09	1.06	1.13	1.06
1 USD (US dollar)	0.97	0.95	1.00	0.97

INFORMATION ON OPERATING SEGMENTS (SEGMENT REPORTING)

The Baloise Group organises its operating activities into strategic business units, which are generally combined under a single management team for each region. The financial and management information needed for all relevant executive decisions is held by these strategic business units. This is also the organisational level at which the chief operating decision-makers are situated. Regardless of where they are headquartered, all Baloise Group entities are therefore assigned to one of the reportable segments

- ▶ Switzerland
- ▶ Germany
- ▶ Belgium
- ▶ Luxembourg

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

The company Baloise Fund Invest Advico is now reported within the Switzerland segment, in line with the management structure. The company had previously been reported within the Group business segment.

In 2019, there was a change of chief operating decision maker for variable annuities products, which are being run off in Liechtenstein. As a result, this business is no longer reported within the Luxembourg segment (which also covers Liechtenstein) and is instead included in the Group business segment. Responsibility for the Swiss variable annuities products contained in this run-off portfolio were transferred to the Switzerland strategic business unit in the first half of 2020 and, as a result, are now reported in the Switzerland segment. The figures for the prior-year period have not been adjusted as the cost of preparing this information would have been disproportionately high.

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

	Switzerland		Germany		Belgium	
	2019	2020	2019	2020	2019	2020
CHF million						
Income						
Premiums earned and policy fees (gross)	3,217.0	2,528.2	591.1	565.6	625.0	767.7
Reinsurance premiums ceded	-43.2	-56.3	-44.2	-36.1	-60.9	-72.9
Premiums earned and policy fees (net)	3,173.8	2,471.9	546.9	529.5	564.1	694.7
Investment income	434.1	402.0	98.7	85.2	115.3	116.6
Realised gains and losses on investments						
For own account and at own risk	104.7	-36.1	26.9	94.9	34.3	44.3
For the account and at risk of life insurance policyholders and third parties	51.3	-39.4	217.2	-173.1	42.5	-32.4
Income from services rendered	31.1	47.2	5.6	5.6	2.0	2.7
Share of profit (loss) of associates	1.3	4.7	3.3	3.7	-	4.2
Other operating income	61.5	48.3	15.2	12.0	10.8	7.4
Income	3,857.9	2,898.6	913.8	557.7	769.1	837.6
Intersegment income	-17.5	-17.9	16.3	6.8	19.9	21.8
Income from associates	1.3	6.2	3.3	3.7	-	4.1
Expense						
Claims and benefits paid (gross)	-2,462.1	-2,574.5	-409.1	-398.0	-429.3	-491.0
Change in technical reserves (gross)	-657.7	103.9	-284.6	62.9	-54.1	-17.1
Reinsurers share of claims incurred	13.0	145.0	23.1	54.2	76.7	62.3
Acquisition costs	-26.6	-23.3	-92.2	-112.8	-132.7	-156.6
Operating and administrative expenses for insurance business	-227.0	-223.4	-85.0	-82.8	-52.7	-73.4
Investment management expenses	-26.3	-26.9	-13.4	-12.7	-6.7	-7.4
Interest expenses on insurance liabilities	-0.1	-0.1	-8.5	-7.4	-0.1	-0.1
Gains or losses on financial contracts	-49.9	6.4	-0.5	-1.2	-66.8	-15.9
Other operating expenses	-143.2	-130.7	-31.7	-27.6	-31.7	-33.4
Expense	-3,580.0	-2,723.7	-902.0	-525.3	-697.4	-732.6
Profit / loss for the period before borrowing costs and taxes	277.9	174.9	11.9	32.4	71.7	105.1
Borrowing costs	-5.3	-5.2	0.0	0.0	0.0	0.0
Profit / loss for the period before taxes	272.6	169.7	11.9	32.4	71.7	105.1
Income taxes	92.7	-25.5	-10.3	-10.5	-21.4	-38.1
Profit / loss for the period (segment result)	365.4	144.1	1.6	21.9	50.3	67.0
Segment assets as at 30 June	46,690.7	47,588.3	13,258.3	12,663.9	11,068.6	14,592.3
Segment assets as at 31 December	46,789.2		12,884.6		14,302.8	

Luxembourg		Sub-total		Group business		Eliminated		Total	
2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
110.1	111.3	4,543.2	3,972.8	59.4	58.3	-54.0	-47.7	4,548.6	3,983.4
-7.4	-9.1	-155.7	-174.5	-23.8	-0.1	57.3	51.0	-122.3	-123.6
102.6	102.2	4,387.5	3,798.3	35.5	58.2	3.3	3.3	4,426.3	3,859.8
11.7	10.6	659.7	614.4	1.5	8.8	-4.1	-13.0	657.1	610.2
-0.1	-0.2	165.8	102.9	-20.7	-12.4	-	-	145.1	90.5
678.6	-559.7	989.6	-804.5	45.4	-34.4	-	-	1,035.0	-838.9
10.5	10.0	49.3	65.5	84.6	73.1	-77.4	-80.4	56.5	58.1
-	-	4.6	12.6	-	-	-	-	4.6	12.6
22.0	17.8	109.5	85.5	18.3	21.3	-27.3	-23.8	100.5	82.9
825.3	-419.4	6,366.1	3,874.6	164.5	114.5	-105.5	-113.9	6,425.2	3,875.3
2.3	3.7	20.9	14.4	-126.4	-128.3	105.5	113.9	-	-
-	-	4.6	14.0	-	-	-	-	4.6	14.0
-58.6	-53.8	-3,359.2	-3,517.3	-39.3	-60.6	30.5	46.1	-3,367.9	-3,531.8
-31.4	-11.9	-1,027.9	137.8	-9.5	-21.4	23.1	21.9	-1,014.2	138.4
4.9	6.0	117.8	267.6	35.3	0.4	-56.9	-71.3	96.2	196.6
-11.8	-11.1	-263.4	-303.8	-1.6	-1.2	0.7	1.0	-264.2	-304.1
-29.0	-29.6	-393.7	-409.2	-2.4	-3.4	-0.7	-1.0	-396.8	-413.5
-0.9	-1.0	-47.3	-47.9	-2.8	-3.3	9.5	8.2	-40.6	-43.0
-0.1	-0.2	-8.8	-7.8	0.1	-0.3	0.1	0.2	-8.6	-7.9
-667.6	549.7	-784.8	538.9	-47.7	26.9	4.1	13.0	-828.5	578.8
-21.0	-16.8	-227.6	-208.5	-110.0	-107.4	95.1	95.8	-242.5	-220.1
-815.6	431.3	-5,994.9	-3,550.2	-177.8	-170.3	105.5	113.9	-6,067.2	-3,606.6
9.7	12.0	371.2	324.4	-13.2	-55.7	-	-	358.0	268.6
-0.1	0.0	-5.4	-5.3	-14.0	-12.5	-	-	-19.3	-17.9
9.7	11.9	365.8	319.1	-27.2	-68.3	-	-	338.6	250.8
-0.5	0.8	60.6	-73.3	-5.6	-1.1	-	-	54.9	-74.4
9.2	12.7	426.4	245.8	-32.8	-69.4	-	-	393.6	176.4
12,293.1	12,093.7	83,310.8	86,938.2	2,718.0	2,394.1	-1,959.8	-2,771.0	84,068.9	86,561.3
12,765.1		86,741.7		2,863.0		-2,586.9		87,017.8	

SEGMENT REPORTING BY OPERATING SEGMENT (FIRST HALF-YEAR)

	Non-life		Life	
	2019	2020	2019	2020
CHF million				
Income				
Premiums earned and policy fees (gross)	1,678.8	1,815.2	2,869.8	2,168.1
Reinsurance premiums ceded	-105.6	-107.5	-16.6	-16.1
Premiums earned and policy fees (net)	1,573.2	1,707.7	2,853.1	2,152.1
Investment income	97.5	87.2	517.4	484.4
Realised gains and losses on investments				
For own account and at own risk	3.7	-15.5	116.7	122.9
For the account and at risk of life insurance policyholders and third parties	-	-	1,003.0	-805.5
Income from services rendered	17.1	21.3	11.7	11.3
Share of profit (loss) of associates	1.3	1.6	0.9	8.8
Other operating income	20.6	16.7	88.2	67.1
Income	1,713.4	1,819.1	4,591.0	2,041.0
Intersegment income	-16.9	-20.1	-18.4	-33.7
Income from associates	1.3	3.1	0.9	8.7
Expense				
Claims and benefits paid (gross)	-1,034.2	-1,158.3	-2,333.7	-2,373.5
Change in technical reserves (gross)	78.0	-56.2	-1,092.3	194.5
Reinsurers share of claims incurred	88.0	185.4	8.2	11.2
Acquisition costs	-239.3	-262.5	-24.9	-41.5
Operating and administrative expenses for insurance business	-263.1	-267.8	-133.8	-145.7
Investment management expenses	-14.5	-14.6	-51.3	-49.4
Interest expenses on insurance liabilities	-0.1	-0.5	-8.4	-7.5
Gains or losses on financial contracts	-0.6	-8.2	-768.0	564.5
Other operating expenses	-101.4	-100.9	-80.5	-62.2
Expense	-1,487.3	-1,683.5	-4,484.7	-1,909.7
Profit / loss for the period before borrowing costs and taxes	226.1	135.7	106.3	131.3
Borrowing costs	-0.2	-0.2	-5.2	-5.1
Profit / loss for the period before taxes	225.9	135.5	101.1	126.2
Income taxes	-13.9	-33.4	84.1	-34.8
Profit / loss for the period (segment result)	212.1	102.1	185.2	91.4

Asset Management & Banking		Other activities		Eliminated		Total	
2019	2020	2019	2020	2019	2020	2019	2020
-	-	-	-	-	-	4,548.6	3,983.4
-	-	-	-	-	-	-122.3	-123.6
-	-	-	-	-	-	4,426.3	3,859.8
45.1	43.1	1.3	8.1	-4.3	-12.6	657.1	610.2
17.3	8.3	7.4	-25.2	-	-	145.1	90.5
-	-	32.0	-33.4	-	-	1,035.0	-838.9
75.4	76.2	79.6	79.1	-127.2	-129.8	56.5	58.1
-	-	2.4	2.2	-	-	4.6	12.6
6.9	6.8	6.9	13.5	-22.1	-21.2	100.5	82.9
144.8	134.4	129.6	44.3	-153.6	-163.6	6,425.2	3,875.3
-43.1	-43.6	-75.1	-66.1	153.6	163.6	-	-
-	-	2.4	2.2	-	-	4.6	14.0
-	-	-	-	-	-	-3,367.9	-3,531.8
-	-	-	-	-	-	-1,014.2	138.4
-	-	-	-	-	-	96.2	196.6
-	-	-	-	-	-	-264.2	-304.1
-	-	-	-	-	-	-396.8	-413.5
-15.9	-19.1	-0.3	-0.1	41.5	40.3	-40.6	-43.0
-	-	-	-	-	-	-8.6	-7.9
-28.1	-17.3	-36.1	27.1	4.3	12.6	-828.5	578.8
-58.2	-61.0	-110.2	-106.6	107.9	110.7	-242.5	-220.1
-102.2	-97.4	-146.7	-79.6	153.6	163.6	-6,067.2	-3,606.6
42.6	37.0	-17.0	-35.4	-	-	358.0	268.6
0.0	0.0	-14.0	-12.6	-	-	-19.3	-17.9
42.6	37.0	-31.0	-47.9	-	-	338.6	250.8
-6.4	-5.5	-8.9	-0.7	-	-	54.9	-74.4
36.2	31.5	-39.9	-48.6	-	-	393.6	176.4

SHARE CAPITAL

	Number of treasury shares	Number of shares in circulation	Number of shares issued	Share capital (CHF million)
Balance as at 1 January 2019	2,218,134	46,581,866	48,800,000	4.9
Purchase / sale of treasury shares	1,020,473	-1,020,473	-	-
Capital increases	-	-	-	-
Share buy-back and cancellation	-	-	-	-
Balance as at 31 December 2019	3,238,607	45,561,393	48,800,000	4.9

	Number of treasury shares	Number of shares in circulation	Number of shares issued	Share capital (CHF million)
Balance as at 1 January 2020	3,238,607	45,561,393	48,800,000	4.9
Purchase / sale of treasury shares	660,797	-660,797	-	-
Capital increases	-	-	-	-
Share buy-back and cancellation	-	-	-	-
Balance as at 30 June 2020	3,899,404	44,900,596	48,800,000	4.9

The share capital of Baloise Holding Ltd on 30 June 2020 totals CHF 4.9 million and is divided into 48,800,000 registered, fully paid-up shares with a par value of CHF 0.10 each. As far as individuals, legal entities and partnerships are concerned, entry in the share register with voting rights is limited to 2 per cent of the registered share capital entered in the commercial register. The Baloise Group buys and sells its own shares for employee share ownership programmes.

The Annual General Meeting held on 24 April 2020 voted to pay a gross dividend of CHF 6.40 per share for the 2019 financial year. This amounted to a total dividend distribution of CHF 312.3 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 287.4 million.

A cumulative total of 3,000,000 shares in Baloise Holding Ltd were repurchased for a total of CHF 481.2 million under the three-year share buy-back programme, which ended on 3 April 2020.

FINANCIAL LIABILITIES

No new bonds were issued in the first half of 2020 and no bonds were redeemed.

Information on the bonds 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

	1 st half	1 st half
	2019	2020
CHF million		
Investment property	143.7	144.0
Financial assets of an equity nature		
Available for sale	67.5	67.2
Recognised at fair value through profit or loss	0.9	1.1
Financial assets of a debt nature		
Held to maturity	98.2	89.2
Available for sale	223.0	195.0
Recognised at fair value through profit or loss	0.9	0.1
Mortgages and loans		
Carried at cost	116.8	107.1
Recognised at fair value through profit or loss	6.8	6.7
Cash and cash equivalents	-0.6	-0.2
Total income from investments for own account and at own risk	657.1	610.2

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

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

1 Currency effects relating to held-to-maturity financial assets of a debt nature are reported as realised book profits and / or realised book losses.

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

First half of 2020	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	354.3	–	–	–	–	354.3
Held to maturity ¹	–	–	–	–	–	–
Available for sale	–	69.8	219.1	–	–	288.8
Recognised at fair value through profit or loss	–	4.8	–	5.2	301.7	311.7
Carried at cost	–	–	–	64.5	–	64.5
Sub-total	354.3	74.6	219.1	69.6	301.7	1,019.3
Realised losses on disposals and book losses						
Investment property	–305.3	–	–	–	–	–305.3
Held to maturity ¹	–	–	–26.6	–	–	–26.6
Available for sale	–	–75.5	–142.6	–	–	–218.2
Recognised at fair value through profit or loss	–	–24.1	–0.9	0.0	–199.1	–224.1
Carried at cost	–	–	–	–6.4	–	–6.4
Sub-total	–305.3	–99.6	–170.2	–6.4	–199.1	–780.6
Impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–130.4	–16.8	–	–	–147.1
Carried at cost	–	–	–	–1.6	–	–1.6
Reversal of impairment losses recognised in profit or loss						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–	–	–	–	–
Carried at cost	–	–	–	0.6	–	0.6
Sub-total	–	–130.4	–16.8	–1.0	–	–148.2
Total realised gains and losses on investments	49.0	–155.4	32.1	62.2	102.6	90.5

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.

The bulk of impairment losses recognised in the first half of 2020 relate to financial instruments with characteristics of equity, which suffered gross impairment losses of CHF 130.4 million. After deduction of the legal quota, policyholders' dividends and taxes, the impairment loss for these financial assets amounted to CHF 85.6 million. This mainly affects the business units in Switzerland and Belgium.

The impairment losses are primarily attributable to the Covid 19 situation and needed to be recognised due to significant corrections in the financial markets. The highest losses were recognised on positions in the banking/financial services, industrial goods & services and oil & gas sectors.

In addition, gross impairment losses of CHF 16.8 million were recognised for senior secured loans (financial instruments with characteristics of liabilities), which amounted to CHF 7.6 million after taking the legal quota, policyholders' dividends and taxes into account.

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

No disposal groups or non-current assets that satisfy the criteria for IFRS 5 were held either as at 31 December 2019 or as at 30 June 2020.

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
	Net asset value	n. a.
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
Derivative financial instruments	Multiples-based method	n. a.

Determining the fair value of financial instruments classified as Level 3

The Baloise Group organises its operating activities into strategic business units, which are generally combined under a single management team for each region. The financial and management information needed for all relevant executive decisions is held at the level of these strategic business units. This organisational structure is also used to delegate authority and responsibility for proper implementation of, and compliance with, financial reporting standards within the Baloise Group to the individual strategic business units. The organisation of these individual units varies in terms of how they determine the fair value of financial instruments classified as Level 3. This process essentially involves the regular discussion of measurement methods, measurement inconsistencies and classification issues by formal or informal committees at each reporting date. Appropriate adjustments are made where necessary.

Financial assets of an equity nature classed as “available for sale” or “recognised at fair value through profit or loss” and classified as Level 3 are primarily private-equity investments and alternative investments held by the Baloise Group as well as minority interests in real-estate companies. The fair value of such investments is usually determined by fund managers (external providers) based on their net asset value (NAV). These external providers generally use non-public information to calculate the individual investments’ NAV.

Financial instruments on a debt nature that are assigned to level 3 are predominantly corporate bonds originating from private placements and for which third-party prices are not available. A present-value model is used to measure their fair value.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

31.12.2019	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	4,351.1	4,351.1	2,493.9	388.9	1,468.4
Recognised at fair value through profit or loss	328.3	328.3	283.3	45.0	–
Financial assets of a debt nature					
Available for sale	27,101.5	27,101.5	25,483.1	1,618.4	–
Recognised at fair value through profit or loss	10.6	10.6	10.6	–	–
Mortgages and loans					
Recognised at fair value through profit or loss	1,039.1	1,039.1	–	1,039.1	–
Derivative financial instruments	469.7	469.7	6.9	462.7	–
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	570.1	570.1	–	570.1	–
Derivative financial instruments	117.5	117.5	9.2	99.9	8.4
Assets measured on a recurring basis for the account and at the risk of life insurance policyholders and third parties					
Liabilities measured on a recurring basis for the account and at the risk of life insurance policyholders and third parties					
	14,293.3	14,293.3	13,389.5	507.1	396.7
	12,436.4	12,436.4	12,283.2	153.2	–

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

30.6.2020	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	3,977.1	3,977.1	2,173.2	347.9	1,456.0
Recognised at fair value through profit or loss	463.3	463.3	413.1	50.2	–
Financial assets of a debt nature					
Available for sale	27,429.0	27,429.0	25,961.7	1,467.3	–
Recognised at fair value through profit or loss	6.2	6.2	6.2	–	–
Mortgages and loans					
Recognised at fair value through profit or loss	1,024.6	1,024.6	–	1,024.6	–
Derivative financial instruments	501.1	501.1	16.7	484.3	–
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	722.5	722.5	–	722.5	–
Derivative financial instruments	154.1	154.1	0.5	144.8	8.7
Assets measured on a recurring basis for the account and at the risk of life insurance policyholders and third parties	13,205.8	13,205.8	12,267.9	539.2	398.7
Liabilities measured on a recurring basis for the account and at the risk of life insurance policyholders and third parties	11,489.2	11,489.2	11,315.1	174.1	–

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

	Financial instruments with characteristics of equity	Derivative financial instruments (liabilities)	Total
2019	Available for sale		
CHF million			
Balance as at 1 January	1,322.7	–	1,322.7
Additions	251.0	–	251.0
Additions arising from change in the scope of consolidation	–	–	–
Additions arising from change in the percentage of shareholding	–	–	–
Disposals	–124.1	–	–124.1
Disposals arising from change in the scope of consolidation	–	–	–
Disposals arising from change in the percentage of shareholding	–	–	–
Reclassified to Level 3	–	–	–
Reclassified from Level 3	–	–	–
Reclassification to non-current assets and disposal groups classified as held for sale	–	–	–
Changes in fair value recognised in profit or loss ¹	38.9	–	38.9
Changes in fair value not recognised in profit or loss	4.9	–8.4	–3.5
Exchange differences	–25.0	–	–25.0
Balance as at 31 December	1,468.4	–8.4	1,460.0
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.

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

	Financial instruments with characteristics of equity	Derivative financial instruments (liabilities)	Total
2020	Available for sale		
CHF million			
Balance as at 1 January	1,468.4	-8.4	1,460.0
Additions	92.7	-	92.7
Additions arising from change in the scope of consolidation	-	-	-
Additions arising from change in the percentage of shareholding	-	-	-
Disposals	-91.0	-	-91.0
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	7.2	-	7.2
Changes in fair value not recognised in profit or loss	-7.0	-0.4	-7.4
Exchange differences	-14.3	-	-14.3
Balance as at 30 June	1,456.0	-8.7	1,447.2
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	-5.6	-	-5.6

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.

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

	31.12.2019		30.06.2020	
	Total carrying amount	Total fair value	Total carrying amount	Total fair value
CHF million				
Assets				
Financial assets of a debt nature				
Held to maturity	7,475.5	9,120.7	7,222.4	7,905.2
Mortgages and loans				
Carried at cost	15,773.9	16,649.9	15,837.6	16,412.3
Receivables from financial contracts				
Carried at cost	-	-	-	-
Other receivables				
Carried at cost	279.9	281.9	489.2	491.4
Receivables from investments				
Carried at cost	375.7	375.7	313.1	313.1
Liabilities				
Liabilities arising from banking business and financial contracts				
Measured at amortised cost	7,593.8	7,723.4	8,933.5	9,094.9
Financial liabilities ¹	2,325.0	2,400.4	2,324.9	2,369.3

¹ Excluding leasing liabilities.

GAINS OR LOSSES ON FINANCIAL CONTRACTS

	1 st half	1 st half
	2019	2020
CHF million		
With discretionary participation features (DPF)		
Financial contracts with discretionary participation features (DPF)	- 26.3	- 29.6
Sub-total	- 26.3	- 29.6
Measured at amortised cost		
Interest on loans	0.0	0.0
Interest due	- 4.9	- 6.2
Interest arising from banking business	- 0.3	0.7
Interest expenses arising from repurchase agreements	0.3	2.7
Acquisition costs arising from banking business	- 3.3	- 3.5
Expenses arising from financial contracts	- 5.0	- 4.3
Sub-total	- 13.3	- 10.5
Designated as at fair value through profit or loss		
Change in fair value of other financial contracts	- 788.9	618.9
Sub-total	- 788.9	618.9
Total gains or losses on financial contracts	- 828.5	578.8

ACQUISITION AND DISPOSAL OF COMPANIES

First half of 2020	Cumulative acquisitions	Cumulative disposals
CHF million		
Investments	1.2	–
Other assets	48.3	–
Receivables and assets	40.0	–
Cash and cash equivalents	337.5	–
Actuarial liabilities	–393.6	–
Other accounts payable	–8.9	–
Non-controlling interests	–	–
Net assets acquired / disposed of	24.5	–
Funds used / received for acquisitions and disposals		
Cash and cash equivalents	63.9	–
Offsetting	–	–
Transfer of assets	–	–
Directly attributable costs	–	–
Equity instruments issued	–	–
Reclassification of investments in associates	–	–
Acquisition / disposal price	63.9	–
Net assets acquired / disposed of	–24.5	–
Other comprehensive income	–	–
Goodwill / negative goodwill or proceeds from disposals	39.3	–
Cash and cash equivalents used / received for acquisitions and disposals	–63.9	–
Cash and cash equivalents acquired / disposed of	337.5	–
Outflow / inflow of cash and cash equivalents	273.7	–

On 31 May 2020, the Baloise Group acquired the non-life insurance portfolio of Athora Belgium. The acquisition strengthens Baloise's position in the Wallonia region and is the ideal complement to Baloise Belgium's presence in the Flanders region.

Individual items of the provisional purchase price allocation carried out in connection with this acquisition have not yet been finally confirmed. There may therefore be some individual adjustments in the second half of 2020 in accordance with IFRS 3.45.

INCOME TAXES

In the half-year financial statements, the cantonal lowering of income tax rates in Switzerland in the first half of 2020 resulted in non-recurring deferred tax income totalling CHF 0.6 million.

In the first half of 2019, amendments to tax legislation at canton level in Switzerland led to non-recurring deferred tax income of CHF 127.7 million.

	1 st half	1 st half
	2019	2020
CHF million		
Current income taxes	-43.6	-25.4
Deferred income taxes	98.5	-49.0
Total income taxes	54.9	-74.4

EARNINGS PER SHARE

	1 st half	1 st half
	2019	2020
Profit for the period (attributable to shareholders) (CHF million)	395.0	177.7
Average number of shares outstanding	46,442,629	45,078,317
Basic earnings per share (CHF)	8.50	3.94

	1 st half	1 st half
	2019	2020
Profit for the period (attributable to shareholders) (CHF million)	395.0	177.7
Average number of shares outstanding	46,442,629	45,078,317
Adjustment due to potential exercise of share-based payment plans	65,000	56,713
Adjustment due to potential exercise of put options	-	-
Adjusted average number of shares outstanding	46,507,629	45,135,030
Diluted earnings per share (CHF)	8.49	3.94

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 2019 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

In the first half of 2020, the amount of capital commitments made for the future acquisition of financial assets increased by CHF 539.6 million, largely due to planned capital expenditure by the Belgian units.

EVENTS AFTER THE BALANCE SHEET DATE

On 16 July 2020, the Baloise Group issued two bonds with a cumulative volume of CHF 300 million. The two bonds were issued with maturity dates of December 2026 (0.250 per cent, CHF 175 million, ISIN CH0553331817) and December 2030 (0.500 per cent, CHF 125 million, ISIN CH0553331825) respectively. The income from the bond issue will be used for general company purposes, primarily to refinance the bond that matures in October 2020.

Further information

FINANCIAL CALENDAR AND CONTACTS

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

29.10.2020 [Investor Day](#)

12.11.2020 [Q3 interim statement](#)

09.03.2021 [Preliminary annual financial results](#)
Media conference
Conference call for analysts

30.03.2021 [Annual report](#)
Publication of the 2020 annual report

30.04.2021 [Annual General Meeting](#)
Baloise Holding Ltd

26.08.2021 [Half-year financial results](#)
Conference call for analysts and the media
Publication of the 2021 half-year report

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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 27 August 2020.

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