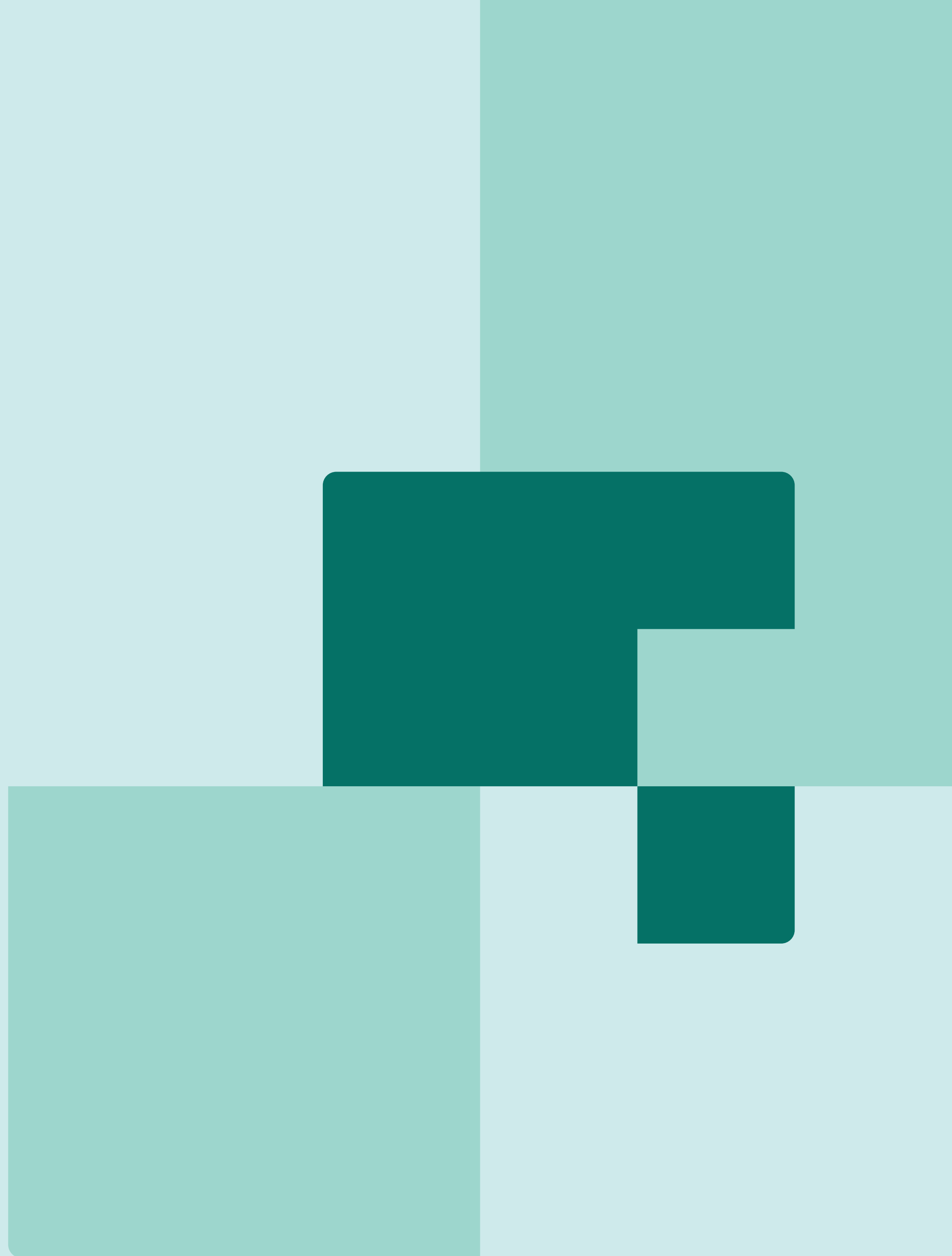
2023



Half-Year Report

2023

baloise

Half-Year Report

2023

Contents

Baloise key figures 5

Letter to shareholders 6

Review of operating performance

Half-year financial results in brief 8

Solid profit attributable to shareholders and volume of premiums on a par with the prior-year period 8

Low level of natural disaster claims made up for the impact of inflation in the non-life business, which saw healthy, profitable growth 9

Higher interest margin and good new business margin in the life business 9

Asset Management & Banking 10

Robust level of comprehensive equity, high capitalisation and confirmation of A+ rating 10

Outlook 11

Baloise shares 12

Business volume, insurance revenue, combined ratio and CSM 14

Consolidated income statement (unaudited) 16

Consolidated statement of comprehensive income (unaudited) 17

Consolidated balance sheet (unaudited) 18

Consolidated statement of changes in equity (unaudited) 20

Consolidated cash flow statement (unaudited) 22

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

Basis of preparation 24

Application of new financial reporting standards 24

Changes in shareholdings and in the group of consolidated entities 31

Acquisitions and disposals of companies 32

Non-current assets and disposal groups classified as held for sale 32

Exchange rates 33

Information on operating segments (segment reporting) 33

Segment reporting by strategic business unit (first half-year) 34

Segment reporting by operating segment (first half-year) 36

Investments and financial liabilities 38

Result from financial contracts 47

Fair value measurement 47

Share capital 53

Earnings per share 54

Insurance contract liabilities 54

Financial liabilities 70

Income taxes 70

Related party transactions 70

Contingent and future liabilities 70

Events after the balance sheet date 70

General information

Alternative Performance Measures 71

Glossary 75

Financial calendar and contacts 79

General information on the half-year report 80

Baloise key figures

	30.06.2023	31.12.2022	30.06.2022	Change (%)
CHF million				
Business volume				**versus 30.06.22**
Gross premiums written Non-life	2,632.5	3,958.7	2,582.5	1.9
Gross premiums written Life	2,277.9	3,848.1	2,416.9	– 5.8
Investment-type premiums (IFRS 9)	429.5	871.0	419.0	2.5
Total business volume	**5,339.9**	**8,677.8**	**5,418.4**	**– 1.5**
Operating profit (loss)				**versus 30.06.22**
Consolidated profit / loss for the period before borrowing costs and taxes				
Non-life	158.2	99.4	139.7	13.2
Life	104.3	259.8	146.0	– 28.6
Asset Management & Banking	43.4	64.4	40.2	8.0
Other activities	– 38.6	– 57.2	– 28.5	35.5
Consolidated profit for the period	203.6	244.5	213.7	– 4.7
Profit (attributable to the shareholders)	205.7	247.8	214.7	– 4.2
Balance sheet				**versus 31.12.22**
Insurance contract liabilities	49,987.8	49,753.3	51,714.1	0.5
Contractual service margin (CSM)	5,108.1	5,391.8	5,829.3	– 5.3
Equity	3,280.3	3,417.4	3,477.1	– 4.0
Ratios (per cent)				
Combined ratio (non-life)	87.3	92.9	89.0	–
Key figures on the Company's shares				**versus 31.12.22[1]**
Shares issued (units)	45,800,000	45,800,000	45,800,000	0.0
Basic earnings per share[2] (CHF)	4.54	5.49	4.75	– 4.4
Diluted earnings per share[2] (CHF)	4.54	5.48	4.75	– 4.4
Comprehensive equity per share[3] (CHF)	160.99	169.24	177.96	– 4.9
Closing price (CHF)	131.40	142.70	155.90	– 7.9
Market capitalisation (CHF million)	6,018.1	6,535.7	7,140.2	– 7.9

1 Changes in earnings per share compared to 30 June 2022.
2 Calculation based on the profit for the period attributable to shareholders.
3 Calculation based on shareholders' equity (equity before non-controlling interests) and the contractual service margin (CSM) after taxes.

Letter to shareholders

Dear shareholders,

Baloise closed the first six months of 2023 with a solid profit attributable to shareholders of CHF 205.7 million, which was slightly lower than in the prior-year period (H1 2022: CHF 214.7 million). The decrease was attributable to lower profits in the life business as a result of changed external factors as well as higher costs and negative effects in respect of currencies. The good growth in the non-life business is encouraging. The combined ratio stood at 87.3 per cent, underlining the profitability of the non-life business, which continues to be excellent. Premiums in the life business declined, particularly in respect of occupational pensions. The business is shifting towards partially autonomous solutions. Baloise's partially autonomous solution, Perspectiva, has grown further and now has a customer base of around 4,800 companies. The volume of business was slightly lower than in the prior-year period at CHF 5,339.9 million, a decrease of 1.5 per cent that was due to exchange-rate effects (H1 2022: CHF 5,418.4 million).

In the asset management business, net new external customer assets managed by Baloise amounted to CHF 617.1 million despite the challenging conditions in the first half of the year. Third-party assets thus rose to CHF 13.7 billion. The total assets under management, including all insurance assets, stood at CHF 89.0 billion as at 30 June 2023.

Baloise's capital adequacy remains comfortable, as recently confirmed by Standard & Poor's in August 2023, when it reaffirmed its rating of A+ for the Baloise Group. It awarded this rating in recognition of Baloise's excellent capitalisation, high operational profitability, solid risk management and robust competitive position in its profitable core markets.

Baloise shares closed the first half of 2023 at CHF 131.40, meaning that the share price was down by 7.9 per cent compared to the closing price as at 31 December 2022 of CHF 142.70. The leading Swiss index, the SMI, rose by 5.1 per cent over the same period. Baloise shares picked up again at the start of the second half of the year and, as at the middle of September, the share price was slightly higher than at the end of 2022.

In the first six months of 2023, we concluded personnel changes within the Corporate Executive Committee and at the national Baloise companies and, with the new line-up, are ready to tackle any current and future challenges. Michael Müller succeeded Group CEO Gert De Winter with effect from 1 July after the latter stepped down. On the same date, Clemens Markstein became CEO of Baloise in Switzerland and therefore joined the Corporate Executive Committee. The appointment of Dr Christine Theodorovics as CEO of Baloise in Luxembourg at the start of June 2023 and the appointment of Christophe Hamal as CEO of Baloise in Belgium last October marked the end of a successful process to replace their two retired predecessors.

The persistently high level of inflation in European countries, including the price rises in Switzerland, is affecting our business. The increased cost of goods and services is also having a knock-on effect on claims incurred that cannot be immediately offset by higher premiums. We are carefully monitoring these developments and taking appropriate steps. At present, it is very difficult to predict what impact the central banks' measures to tackle inflation will have and how the economy will fare in Europe.

We are following economic developments closely and will adjust our strategy accordingly where necessary. We are confident that we remain on course in respect of the core elements of our Simply Safe: Season 2 strategic journey. This includes fine-tuning the foundations of our core business to make it more efficient and effective, building on our existing strengths and reliably generating cash: essentially the basis for maintaining Baloise's attractive and sustainable dividend policy.

Basel, September 2023

Dr Thomas von Planta
Chairman of the Board of Directors

Michael Müller
Group CEO

“We remain on course in respect of the core elements of our ‘Simply Safe: Season 2’ strategic journey.”

Dr Thomas von Planta, Chairman of the Board of Directors (left), and **Michael Müller,** Group CEO (right)

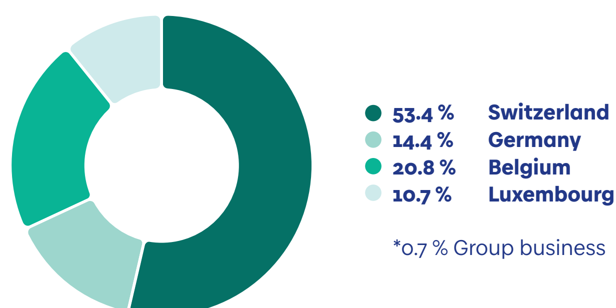
Baloise achieves strong growth in the non-life business and generates a high level of cash

Half-year financial results in brief

For the first time, Baloise has prepared its reporting in accordance with the new **IFRS 17 and IFRS 9 accounting standards** and on the basis of restated financial results for the first half of 2022.

- **Profit attributable to shareholders** for the first half of 2023 amounted to CHF 205.7 million (H1 2022: CHF 214.7 million).
- The **volume of business** stood at CHF 5,339.9 million (H1 2022: CHF 5,418.4 million), which was down by 1.5 per cent year-on-year as a result of unfavourable currency effects. Adjusted for currency effects, there was a small increase of 0.6 per cent.
- The volume of premiums in the **non-life business** rose by a very healthy 4.7 per cent, adjusted for currency effects. Including currency effects, we registered robust growth in gross premiums written of 1.9 per cent to CHF 2,632.5 million (H1 2022: CHF 2,582.5 million).
- The Group's **combined ratio** shows the excellent underlying quality of the portfolio, improving by 1.7 percentage points compared to the prior-year period to 87.3 per cent in the reporting period (H1 2022: 89.0 per cent).
- **Profit before borrowing costs and taxes in the life business (EBIT)** came to CHF 158.2 million, which represented a very good year-on-year increase of 13.3 per cent (H1 2022: CHF 139.7 million).

Business volume 2023
by strategic business unit*
per cent, first half of the year



- The level of **gross premiums in the life business** emphasised the continuing trend towards semi-autonomous occupational pension solutions, falling by 5.8 per cent to CHF 2,277.9 million (H1 2022: CHF 2,416.9 million).
- **Profit before borrowing costs and taxes in the life business** amounted to CHF 104.3 million (H1 2022: CHF 146.0 million).
- The **asset management** business registered very satisfying growth in third-party assets of 8.1 per cent or CHF 1,027.2 million, of which CHF 617.1 million was attributable to net new assets.
- Baloise's **capitalisation** remained robust. We anticipate that the SST ratio will be over 230 per cent (1 January 2023: 240 per cent). In August 2023, Standard & Poor's confirmed its rating of A+ for the Baloise Group. The equity attributable to shareholders stood at CHF 3,269.5 million (31 December 2022: CHF 3,405.2 million). The **contractual service margin (CSM)** after taxes came to CHF 4,104.0 million as at 30 June 2023 (31 December 2022: CHF 4,345.7 million). **Comprehensive equity** thus totalled CHF 7,373.5 million (31 December 2022: CHF 7,751.0 million).
- Continued strong **cash generation** and continuation of our current attractive dividend policy are expected for the 2023 financial year.

Solid profit attributable to shareholders and volume of premiums on a par with the prior-year period

The **profit attributable to shareholders** for the first six months of 2023 was down slightly year-on-year at CHF 205.7 million (H1 2022: CHF 214.7 million). This reduction was mainly driven by lower profits in the life business that, in turn, were due to the smaller amount released from the contractual service margin (CSM). Further factors in the reduction were higher costs and negative currency effects. These influences are also reflected in the Group's **profit before borrowing costs and taxes (EBIT)**, which declined by 10.1 per cent compared to the prior-year period to CHF 267.2 million (H1 2022: CHF 297.4 million).

The **Group's volume of premiums** came to CHF 4,910.4 million, a year-on-year fall of 1.8 per cent (H1 2022: CHF 4,999.5 million) that was caused by the ongoing shift in occupational pensions in traditional life business towards semi-autonomous solutions. This fall was offset by healthy growth in the non-life business. Combined with the **investment-type premiums** (calculated in accordance with IFRS 9), this resulted in a **business volume** for the Group of CHF 5,339.9 million in the first half of 2023. This equated to a small year-on-year decrease of 1.5 per cent (H1 2022: CHF 5,418.4 million). Adjusted for currency effects, we achieved modest growth of 0.6 per cent.

Low level of natural disaster claims made up for the impact of inflation in the non-life business, which saw healthy, profitable growth

Stubbornly high inflation in Europe represents a challenge for our non-life business. The segment's profits were also squeezed by an increased volume of large claims during the reporting period, particularly in Belgium and Germany. Nonetheless, we can present a solid set of results for the first half of 2023 in this business. We generated growth across all business units, with gross premiums written in Swiss francs rising by 1.9 per cent to CHF 2,632.5 million. In local currency terms, we notched up much stronger growth of 4.7 per cent.

Baloise's growth was particularly impressive in Luxembourg (increase of 9.7 per cent to CHF 91.2 million), while Belgium registered an increase of 6.9 per cent to CHF 877.4 million and Germany a rise of 6.8 per cent to CHF 522.1 million, all in local currency terms. In absolute terms, the biggest contribution to the volume of premiums in the non-life business was made by Baloise in Switzerland, where premiums rose by a healthy 1.8 per cent to CHF 1,106.6 million.

Development of combined ratio

The strong profitability of the non-life business can be seen from the improvement in the combined ratio of 1.7 percentage points to 87.3 per cent, which was attributable to careful and disciplined underwriting. The combined ratio also benefited from higher discounting effects and lower expenses from natural disasters in the period under review. Despite a rise in costs not attributable to underwriting, the rise in premiums translated into a year-on-year increase in **profit before borrowing costs and taxes (EBIT)** in the **non-life business** to CHF 158.2 million (H1 2022: CHF 139.7 million).

This encouraging profit was also boosted by **gains or losses on investments in the non-life segment**, which amounted to a net gain of CHF 62.3 million in the first six months of this year. Within this figure, current income swelled by CHF 12.8 million to CHF 95.4 million. Currency effects and a jump in currency hedging costs had an overall negative impact totalling CHF 19.2 million. The return on investment recognised in other comprehensive income (OCI) amounted to CHF 115.1 million and was heavily influenced by the uptrend in the equity markets and the fall in interest rates in Switzerland. The (non-annualised) investment performance of the non-life business stood at 1.8 per cent in the first half of 2023 (negative performance of 7.2 per cent in the prior-year period).

Higher interest margin and good new business margin in the life business

The business volume in the life business fell by 4.5 per cent to CHF 2,707.4 million (H1 2022: CHF 2,835.9 million) owing to the smaller volume of premiums written in the Swiss group life business and in the Belgian life insurance business. As a result, **premiums in the life business** dropped by 5.8 per cent to CHF 2,277.9 million overall (H1 2022: CHF 2,416.9 million), predominantly due to business in Switzerland and Belgium. Adjusted for currency effects, the decrease was 4.7 per cent.

There was strong growth of 16.6 per cent in the individual life division in the Swiss business, with gross premiums written climbing to CHF 251.5 million (H1 2022: CHF 215.7 million). Overall, the Swiss life business saw a small reduction of 1.8 per cent to CHF 1,722.9 million that was attributable to a reduced volume of Group life business (H1 2022: CHF 1,754.8 million). In local currency terms, we registered a decrease in gross premiums of 1.8 per cent to CHF 248.1 million in Germany, 12.2 per cent to CHF 225.1 million in Belgium and 34.5 per cent to CHF 81.9 million in Luxembourg.

Due to application of the new IFRS 17 and IFRS 9 accounting standards, we are recognising the premiums previously accounted for as investment-type premiums in accordance with the new **IFRS 9** classification approach. As a result of reclassifications, some of the former investment-type premiums are now recognised under life insurance contracts. This is reflected in the restated figures for the first half of 2022. Investment-type premiums amounting to CHF 429.5 million were written in the first half of 2023 (H1 2022: CHF 419.0 million), representing an increase of 2.5 per cent in Swiss francs and 6.2 per cent in local currency terms. The biggest contribution to this total was made by our business unit in Luxembourg in an amount of CHF 396.4 million.

The **Perspectiva collective foundation** has continued to deliver encouraging growth this year and now has 4,743 corporate customers with just over 20,000 policyholders.

EBIT in the life business fell year-on-year to CHF 104.3 million in the first half of 2023 (H1 2022: CHF 146.0 million). This can be explained by an increase in expenses and by a decrease of around CHF 16 million in the amount released from the contractual service margin (CSM), which was due to lower interest rates in Switzerland and guarantee adjustments in the Belgian business.

Gains or losses on investments in the life segment amounted to a net gain of CHF 1,107.2 million. Current income improved to CHF 477.6 million thanks to higher income from fixed-income investments and private assets. The lower level of interest rates in Switzerland and the healthy performance of the equity markets resulted in a contribution to gains or losses on investments of CHF 671.3 million. Moreover, a positive effect of CHF 41.4 million was recognised in other comprehensive income (OCI). This was attributable to bonds recognised in OCI and hedging effects not recognised in profit or loss. The (non-annualised) investment performance of the life business stood at 2.7 per cent in the first half of 2023 (negative performance of 10.2 per cent in the prior-year period).

The **new business margin** in the life business remained at the good level of the prior-year period at 6.7 per cent in the first half of 2023 (H1 2022: 6.9 per cent). The new business margin is now derived directly from the contractual service margin (CSM) for new business and is calculated relative to the present value of new business premiums.

The **interest margin** improved to a solid 129 basis points (31 December 2022: 117 basis points). This rise was the result of higher current income and a slight drop in the average guaranteed rate of return.

Asset Management & Banking

As at 30 June 2023, the total assets under management (AuM) of Baloise Asset Management stood at CHF 56,507.4 million, a rise of 1.2 per cent compared to the end of last year (31 December 2022: CHF 55,827.8 million). This growth was primarily attributable to the positive trend in business with third parties.

Continued expansion of business with third parties

The existing growth trend remained intact in spite of the generally difficult investment market. Net new assets from third parties amounted to CHF 617.1 million in the first six months of this year. Assets under management in the business with third parties rose by 8.1 per cent, from CHF 12.6 billion to CHF 13.7 billion, mainly owing to the net new assets.

Robust level of comprehensive equity, high capitalisation and confirmation of A+ rating

The equity attributable to shareholders stood at CHF 3,269.5 million as at 30 June 2023 (31 December 2022: CHF 3,405.2 million). The **contractual service margin (CSM)** after taxes came to CHF 4,104.0 million as at 30 June 2023 (31 December 2022: CHF 4,345.7 million). This decrease was mainly the result of the fall in interest rates in Switzerland in the first half of 2023 and negative currency effects.

Comprehensive equity, the new key figure reported in connection with application of the new accounting standards, totalled CHF 7,373.5 million (31 December 2022: CHF 7,751.0 million). It comprises the sum of the contractual service margin after taxes and the equity attributable to shareholders.

Baloise's comfortable level of capital adequacy was once again confirmed by Standard & Poor's in August 2023, when it reaffirmed its rating of A+ for the Baloise Group. S&P awarded this credit rating in recognition of Baloise's excellent capitalisation – which is comfortably above the AAA level according to the S&P capital model – as well as its high operational profitability, solid risk management and robust competitive position in its profitable core markets. The complete report is available at www.baloise.com/ratings.

In the Swiss Solvency Test (SST), we expect a ratio of over 230 per cent as at 30 June 2023.

Outlook

There was a low level of natural disaster claims in the first six months of 2023, whereas we are seeing a cluster of natural disasters in the second half of the year. We believe that the related claims are likely to depress earnings for the second half of 2023 by an amount in the mid-double-digit millions. Given the changes in economic conditions over the past years, we will focus on strengthening and expanding our core business going forward. Our activities will be tailored accordingly so that we can be more effective and efficient. Consequently, our asset management offering will now be more closely geared to insurance and financial solutions with the aim of generating an additional CHF 5 billion in third-party assets in the period 2022 to 2025. Furthermore, we are bringing our innovation initiatives and the Home and Mobility ecosystems closer to our insurance activities and are reviewing our objectives in these areas of activity. The aim of sharpening our focus in this way is to further improve the customer experience and boost our profitability. We anticipate generating a substantial total sum in cash of CHF 2 billion in the period up to 2025 and expect to continue with our current attractive dividend policy.

Baloise shares

Market conditions and economic situation in the first half of 2023

In 2022, the equity markets had been adversely affected by geopolitical tensions in connection with the war in Ukraine, high inflation rates and fears of recession. Over the first two months of 2023, the markets gradually calmed down as better-than-expected economic data and rapidly falling gas prices provided positive stimulus. In response, share prices on Europe's stock markets rallied. However, this recovery petered out again as of the middle of the first half-year period. This was firstly because inflation proved stickier than expected and secondly because several banks in the US collapsed while Credit Suisse had to be taken over by its competitor UBS in a historic transaction that was announced on the evening of 19 March 2023. It all started with Silicon Valley Bank, which experienced a bank run after suffering substantial realised losses on its bond portfolio. In the wake of its insolvency, two further banks had to be bailed out by the US deposit protection scheme. The takeover of Credit Suisse had been preceded by a severe loss of confidence, accompanied by a mass withdrawal of customer deposits. The share price of the Swiss banking heavyweight plummeted sharply in response to these events. In consultation with the Swiss National Bank (SNB), the Swiss Financial Market Supervisory Authority (FINMA) had already attempted in advance to avert the impending collapse of Credit Suisse through capital commitments. The eventual takeover of Credit Suisse by UBS was supported by the Swiss Federal Council as well as by FINMA and the SNB in the interest of securing the stability of the financial system.

Monetary policy and inflation

In spite of the aforementioned turmoil in the financial markets, the central banks maintained their focus on curbing inflation and continued to raise interest rates. Thanks to lower energy prices and the easing of supply bottlenecks, inflation rates in Europe started to come down in the first half of the year. Nonetheless, price levels remain well above the central banks' target levels. In Germany, inflation (measured by the Harmonised Index of Consumer Prices) slowed from 9.6 per cent as at the end of 2022 to 6.8 per cent as at 30 June 2023. Over the same period, Belgium saw its inflation rate plunge from 10.2 per cent to 1.6 per cent. In Switzerland, higher costs for air travel, food and electricity initially caused inflation to continue rising in January and February 2023 to a peak of 3.4 per cent. However, since then it has been falling continually, reaching 1.7 per cent as at 30 June 2023. For the coming months, central banks in Europe and the US have signalled further interest-rate increases. The European Central Bank has already started to put this into action, raising its key interest rate to 4.25 per cent in July. The SNB most recently hiked its interest rate at the end of June, from 1.50 per cent to 1.75 per cent. Yields on ten-year Swiss government bonds have dropped from around 1.57 per cent to 0.97 per cent in the same period of time.

Equity market performance

As at the end of the first half of 2023, the EURO STOXX 50 index and the S&P 500 index both recorded double-digit growth of 16.0 per cent and 15.9 per cent, respectively. Equity markets in the US and Europe benefited significantly from the declining inflation rate. While investors in the US were talking of a new bull market, the Swiss Market Index (SMI) advanced only moderately, gaining 5.1 per cent compared to the start of the year. The Swiss benchmark index felt the impact of the banking sector turmoil very keenly, as financial services companies were among those whose share prices suffered the most. The index also failed to benefit from the food and technology sectors. The latter had experienced strong growth in the first half of 2023, particularly in Europe and the US, due to heightened interest in topics such as artificial intelligence. After Credit Suisse was taken over by UBS, its place in the SMI was taken by logistics company Kühne+Nagel with effect from 13 June 2023.

Baloise shares* closed the first half of 2023 at CHF 131.40, meaning that the share price was down by 7.9 per cent compared to the closing price as at 31 December 2022 of CHF 142.70. Baloise was thus unable to outperform its peers in the insurance sector. The Swiss Exchange Supersector Insurance Index (SMINX) held more or less steady with a marginal loss of 0.2 per cent, while the STOXX Europe 600 Insurance Index (SXIP) recorded a small gain of 1.4 per cent.

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.

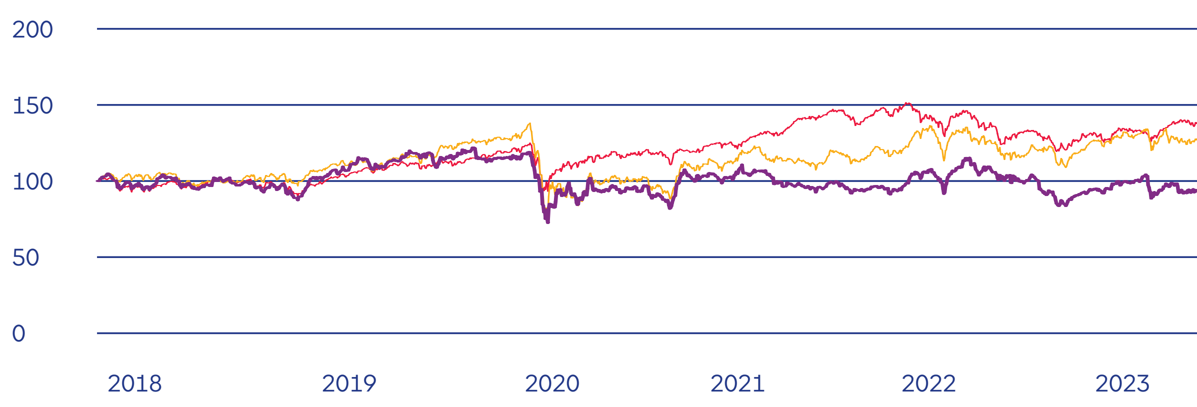
*'Baloise shares' refers to shares of Baloise Holding Ltd.

Key figures on the Company's shares	30.06.2023	31.12.2022	30.06.2022	Change (%) versus 31.12.2022[1]
Shares issued (units)	45,800,000	45,800,000	45,800,000	0.0
Basic earnings per share[2] (CHF)	4.54	5.49	4.75	–4.4
Diluted earnings per share[2] (CHF)	4.54	5.48	4.75	–4.4
Comprehensive equity per share[3] (CHF)	160.99	169.24	177.96	–4.9
Closing price (CHF)	131.40	142.70	155.90	–7.9
Market capitalisation (CHF million)	6,018.1	6,535.7	7,140.2	–7.9

1 Changes in earnings per share compared to 30 June 2022.
2 Calculation based on the profit for the period attributable to shareholders.
3 Calculation based on shareholders' equity (equity before non-controlling interests) and the contractual service margin (CSM) after taxes.

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

Indexed share price performance[1] Baloise Holding registered shares 2018–2023



1 31 December 2017 = 100

- Baloise Holding registered shares (BALN)
- SWX SP Insurance Price Index (SMINNX)
- Swiss Performance Index (SPI)

Business volume, insurance revenue, combined ratio and CSM

Business volume

1st half 2023	Group[1]	Switzerland	Germany	Belgium	Luxembourg[2]
CHF million					
Gross premiums written Non-life	2,632.5	1,106.6	522.1	877.4	91.2
Gross premiums written Life	2,277.9	1,722.9	248.1	225.1	81.9
Investment-type premiums (IFRS 9)	429.5	24.1	–	9.0	396.4
Total business volume	**5,339.9**	**2,853.6**	**770.2**	**1,111.5**	**569.5**

1st half 2022	Group[1]	Switzerland	Germany	Belgium	Luxembourg[2]
CHF million					
Gross premiums written Non-life	2,582.5	1,087.4	512.0	859.4	87.1
Gross premiums written Life	2,416.9	1,754.8	264.5	268.3	129.3
Investment-type premiums (IFRS 9)	419.0	17.0	–	14.7	387.3
Total business volume	**5,418.4**	**2,859.3**	**776.5**	**1,142.4**	**603.7**

1 Including Group business.
2 Including Baloise Life Liechtenstein.

Non-life insurance revenue by sector

	1st half 2023	1st half 2022	+/– %
CHF million			
Motor	615.8	634.3	– 2.9
General liability	186.4	182.5	2.1
Accident	229.0	214.9	6.6
Health	89.6	85.0	5.4
Property	684.5	666.7	2.7
Marine	115.8	121.6	– 4.8
Other	62.9	62.6	0.5
Non-life insurance revenue by sector	**1,984.0**	**1,967.6**	**0.8**

Combined ratio

1st half 2023	Group	Switzerland	Germany	Belgium	Luxembourg
as a percentage of the insurance revenue					
Loss ratio [1]	59.2	60.6	53.4	60.6	55.4
Expense ratio	28.1	22.6	36.6	28.3	31.3
Combined ratio	**87.3**	**83.2**	**90.0**	**88.8**	**86.8**

1st half 2022	Group	Switzerland	Germany	Belgium	Luxembourg
as a percentage of the insurance revenue					
Loss ratio [1]	60.2	63.4	53.7	62.3	60.8
Expense ratio	28.8	23.1	37.5	28.8	29.1
Combined ratio	**89.0**	**86.5**	**91.3**	**91.1**	**89.8**

1 Including net reinsurance income / expense.

CSM development

	2023	2022
CHF million		
Balance as at 1 January	**5,391.8**	**6,010.2**
Expected business contribution	56.7	8.6
New business CSM	86.8	107.7
Economic variances	– 267.5	– 297.8
Operating variances	– 21.7	155.1
CSM release	– 138.0	– 154.5
Balance as at 30 June	**5,108.1**	**5,829.3**

Consolidated income statement (unaudited)

CHF million	1st half 2023	1st half 2022 (restated)
Insurance revenue	2,695.3	2,676.1
Insurance service expenses	–2,240.6	–2,261.3
Insurance service result from reinsurance contracts	–73.5	–64.6
Insurance service result	**381.2**	**350.2**
Insurance finance income and expenses from insurance contracts	–1,360.1	5,280.0
Insurance finance income and expenses from reinsurance contracts	11.3	10.4
Insurance finance income and expenses	**–1,348.7**	**5,290.5**
Interest revenue calculated using the effective interest method	0.6	–7.3
Investment income	635.3	596.6
Realised gains and losses on investments	1,281.7	–7,240.2
Expected credit loss on financial assets	–1.1	–4.5
Result from financial contracts	–458.7	1,477.8
Result from investments and financial contracts	**1,457.8**	**–5,177.7**
Income from services rendered	73.4	62.4
Other operating income	55.7	76.5
Other operating expenses	–335.1	–306.1
Share of profit (loss) of associates	–9.4	2.0
Profit and loss from owner-occupied properties FVPL	–7.7	–0.3
Profit for the period before borrowing costs and taxes	**267.2**	**297.4**
Borrowing costs	–14.5	–10.8
Profit for the period before taxes	**252.7**	**286.6**
Income taxes	–49.1	–72.9
Profit for the period	**203.6**	**213.7**
Profit attributable to:		
Shareholders	205.7	214.7
Non-controlling interests	–2.1	–0.9
Earnings / loss per share:		
Basic (CHF)	4.54	4.75
Diluted (CHF)	4.54	4.75

Consolidated statement of comprehensive income (unaudited)

CHF million	1st half 2023	1st half 2022 (restated)
Profit for the period	**203.6**	**213.7**
Other comprehensive income		
Items not to be reclassified to the income statement		
Change in reserves arising from reclassification of investment property	0.0	0.1
Change in other reserves on associates	–	–
Change in reserves arising from assets and liabilities of post-employment benefits (defined benefit plans)	-15.2	157.6
Change in other reserves on equity instruments at FVOCI	19.2	-84.1
Total items not to be reclassified to the income statement	**4.0**	**73.7**
Items to be reclassified to the income statement		
Change in other reserves on associates	-2.0	-0.9
Change in hedging reserves for derivative financial instruments held as hedges of a net investment in a foreign operation	32.0	-61.2
Change in other reserves on debt investments at FVOCI	81.2	-532.2
Change in other reserves on loans at FVOCI	4.3	-50.5
Insurance finance result from insurance contracts	-32.6	-51.7
Insurance finance result from reinsurance contracts	-6.6	24.5
Exchange differences of foreign operations	-95.9	-16.8
Total items to be reclassified to the income statement	**-19.7**	**-688.7**
Total other comprehensive income	**-15.7**	**-615.0**
Comprehensive income (for the period)	**187.9**	**-401.3**
Attributable to:		
Shareholders	190.1	-399.7
Non-controlling interests	-2.2	-1.5

Consolidated balance sheet (unaudited)

CHF million	30.06.2023	31.12.2022 (restated)
Assets		
Property, plant and equipment	647.4	594.6
Intangible assets	233.3	237.4
Investments in associates	325.3	344.7
Investment property	8,534.0	8,495.1
Financial instruments with characteristics of equity	15,632.0	16,276.7
Recognised at fair value through OCI (FVOCI)	366.1	611.6
Recognised at fair value through profit or loss (FVPL)	15,265.9	15,665.1
Financial instruments with characteristics of debt	32,257.4	31,264.6
Recognised at amortised cost (AC)	109.7	109.1
Recognised at fair value through OCI (FVOCI)	6,056.3	5,482.6
Recognised at fair value through profit or loss (FVPL)	26,091.5	25,672.9
Mortgages and loans	14,550.9	14,665.8
Recognised at amortised cost (AC)	8,920.8	8,933.5
Recognised at fair value through OCI (FVOCI)	569.5	583.4
Recognised at fair value through profit or loss (FVPL)	5,060.6	5,149.0
Derivative financial instruments	860.3	809.3
Insurance contract assets	58.4	43.0
Reinsurance contract assets	516.1	614.6
Receivables from employee benefits	8.6	7.3
Financial receivables	712.8	600.6
Deferred tax assets	235.2	239.3
Current income tax assets	55.2	65.3
Other assets	122.2	123.1
Cash and cash equivalents	3,491.8	3,370.8
Non-current assets and disposal groups classified as held for sale	120.9	242.4
Total assets	**78,361.9**	**77,994.6**

CHF million	30.06.2023	31.12.2022 (restated)
Equity and liabilities		
Equity		
Share capital	4.6	4.6
Capital reserves	382.7	377.3
Treasury shares	– 67.5	– 71.6
Other reserves	– 1,847.3	– 1,828.3
Retained earnings	4,797.0	4,923.2
Equity before non-controlling interests	**3,269.5**	**3,405.2**
Non-controlling interests	10.8	12.2
Total equity	**3,280.3**	**3,417.4**
Liabilities		
Insurance contract liabilities	49,987.8	49,753.3
Reinsurance contract liabilities	1.4	67.5
Liabilities arising from financial contracts	20,464.2	19,839.7
Recognised at amortised cost (AC)	8,506.3	7,983.3
Recognised at fair value through profit or loss (FVPL)	11,957.8	11,856.5
Financial liabilities	2,394.4	2,609.4
Non-technical provisions	98.7	112.5
Derivative financial instruments	101.1	135.8
Liabilities arising from employee benefits	641.9	640.5
Deferred tax liabilities	399.4	380.6
Current income tax liabilities	29.6	29.9
Other liabilities and other financial liabilities	818.9	855.0
Liabilities included in non-current assets and disposal groups classified as held for sale	144.1	152.9
Total liabilities	**75,081.6**	**74,577.1**
Total equity and liabilities	**78,361.9**	**77,994.6**

Consolidated statement of changes in equity (unaudited)

2023	Share capital	Capital reserves	Treasury shares	Other reserves	Retained earnings	Equity before non-controlling interests	Non-controlling interests	Total equity
CHF million								
Balance as at 1 January	**4.6**	**377.3**	**-71.6**	**-1,828.3**	**4,923.2**	**3,405.2**	**12.2**	**3,417.4**
Profit for the period	–	–	–	–	205.7	205.7	-2.1	203.6
Other comprehensive income	–	–	–	-15.6	–	-15.6	-0.1	-15.7
Comprehensive income	**–**	**–**	**–**	**-15.6**	**205.7**	**190.1**	**-2.2**	**187.9**
Other reserves transferred directly to retained earnings	–	–	–	-3.4	3.4	–	–	–
Dividend	–	–	–	–	-335.3	-335.3	-0.4	-335.7
Capital increase/repayment	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	–	-19.4	–	–	-19.4	–	-19.4
Sale of treasury shares	–	8.0	13.0	–	–	20.9	–	20.9
Purchase and sale of options on treasury shares	–	-2.5	–	–	–	-2.5	–	-2.5
Share-based payments	–	10.4	–	–	–	10.4	0.1	10.5
Allocation of treasury shares as part of share-based remuneration programmes	–	-10.5	10.5	–	–	–	–	–
Cancellation of (treasury) shares	–	–	–	–	–	–	–	–
Increase/decrease in non-controlling interests due to change in the scope of consolidation	–	–	–	–	–	–	1.0	1.0
Increase/decrease in non-controlling interests due to change in the percentage of shareholding	–	–	–	–	–	–	–	–
Other changes in equity	**–**	**5.4**	**4.1**	**-3.4**	**-331.9**	**-325.8**	**0.8**	**-325.1**
Balance as at 30 June	**4.6**	**382.7**	**-67.5**	**-1,847.3**	**4,797.0**	**3,269.5**	**10.8**	**3,280.3**

2022	Share capital	Capital reserves	Treasury shares	Other reserves	Retained earnings	Equity before non-controlling interests	Non-controlling interests	Total equity
CHF million								
Balance as at 1 January	**4.6**	**376.8**	**-84.9**	**178.9**	**6,809.7**	**7,285.1**	**14.8**	**7,299.9**
Initial application IFRS 9 (after taxes)	–	–	–	-1,758.6	2,844.9	1,086.3	0.0	1,086.3
Initial application IFRS 17 (after taxes)	–	–	–	512.6	-4,823.5	-4,310.9	-0.6	-4,311.5
Effects of restatement relating to IAS 16 as a result of the initial application of IFRS 17 (after taxes)	–	–	–	–	109.9	109.9	–	109.9
Balance as at 1 January (adjusted)	**4.6**	**376.8**	**-84.9**	**-1,067.2**	**4,941.2**	**4,170.6**	**14.2**	**4,184.7**
Profit for the period	–	–	–	–	214.7	214.7	-0.9	213.7
Other comprehensive income	–	–	–	-614.4	–	-614.4	-0.6	-615.0
Comprehensive income	**–**	**–**	**–**	**-614.4**	**214.7**	**-399.7**	**-1.5**	**-401.3**
Other reserves transferred directly to retained earnings	–	–	–	-1.8	1.8	–	–	–
Dividend	–	–	–	–	-316.5	-316.5	-0.4	-316.8
Capital increase / repayment	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	–	-22.0	–	–	-22.0	–	-22.0
Sale of treasury shares	–	9.2	13.4	–	–	22.6	–	22.6
Purchase and sale of options on treasury shares	–	-3.1	–	–	–	-3.1	–	-3.1
Share-based payments	–	12.9	–	–	–	12.9	0.3	13.2
Allocation of treasury shares as part of share-based remuneration programmes	–	-11.4	11.4	–	–	–	–	–
Cancellation of (treasury) shares	–	–	–	–	–	–	–	–
Increase / decrease in non-controlling interests due to change in the scope of consolidation	–	–	–	–	–	–	–	–
Increase / decrease in non-controlling interests due to change in the percentage of share-holding	–	–	–	–	-1.7	-1.7	1.7	–
Other changes in equity	**–**	**7.5**	**2.8**	**-1.8**	**-316.4**	**-307.8**	**1.6**	**-306.1**
Balance as at 30 June	**4.6**	**384.4**	**-82.0**	**-1,683.4**	**4,839.3**	**3,462.8**	**14.2**	**3,477.1**

Consolidated cash flow statement
(unaudited)

CHF million	1st half 2023	1st half 2022 (restated)
Cash flow from operating activities		
Profit before taxes	252.7	286.6
Adjustments for		
Depreciation, amortisation and impairment of property, plant and equipment and of intangible assets	37.3	37.6
Realised gains and losses on property, plant and equipment and on intangible assets	0.0	-0.1
Share of profit (loss) of associates	9.4	-2.0
Realised gains and losses on financial assets and investment property	-1,281.7	7,240.2
Profit and loss from owner-occupied properties FV	7.7	0.3
Impairment loss on financial assets	1.1	4.5
Share-based payments	10.5	13.2
Other non-cash income and expenses	-9.7	13.1
Change in assets and liabilities from operating activities		
Insurance contract assets and liabilities	315.3	-6,243.2
Reinsurance contract assets and liabilities	88.4	77.6
Liabilities arising from financial contracts	717.4	-228.4
Financial receivables	-109.4	43.1
Change in other assets and other liabilities	28.4	-99.4
Change in operating assets and liabilities		
Purchase and sale of owner-occupied properties FV	-1.7	-0.3
Purchase and sale of investment property	-31.8	14.9
Purchase and sale of financial assets of an equity nature	1,176.2	-310.7
Purchase and sale of financial assets of a debt nature	-469.3	-679.3
Addition and disposal of mortgages and loans	89.4	179.6
Addition and disposal of derivative financial instruments	-57.6	-47.5
Borrowing costs	14.5	10.8
Taxes paid	-32.4	-48.3
Cash flow from operating activities	**754.6**	**262.3**
Cash flow from investing activities		
Purchase of property, plant and equipment	-3.9	-3.3
Sale of property, plant and equipment	0.4	0.6
Purchase of intangible assets	-17.8	-12.7
Sale of intangible assets	0.1	0.0
Acquisition of companies, net of cash and cash equivalents	0.0	–
Disposal of companies, net of cash and cash equivalents	–	–
Purchase of investments in associates	-2.3	-35.1
Sale of investments in associates	1.2	0.1
Dividends from associates	6.4	5.7
Cash flow from investing activities	**-16.0**	**-44.5**

CHF million	1st half 2023	1st half 2022 (restated)
Cash flow from financing activities		
Additions to financial liabilities	274.9	200.0
Disposals of financial liabilities	–525.0	–
Borrowing costs paid	–14.8	–11.0
Repayments of principal in connection with leases	–6.6	–5.6
Purchase of treasury shares	–19.4	–22.0
Sale of treasury shares	20.9	22.6
Purchase and sale of options on treasury shares	–2.5	–3.1
Dividends attributable to non-controlling interests	–0.4	–0.4
Dividends paid	–335.3	–316.5
Cash flow from financing activities	**–608.1**	**–136.0**
Total cash flow	**130.5**	**81.8**
Cash and cash equivalents		
Balance as at 1 January	3,370.8	4,073.5
Change during the financial year	130.5	81.8
Reclassification to non-current assets and disposal groups classified as held for sale	–	–
Effect of changes in exchange rates on cash and cash equivalents	–9.6	–68.6
Balance as at 30 June	**3,491.8**	**4,086.6**
Breakdown of cash and cash equivalents at the balance sheet date		
Cash and bank balances	2,448.0	2,542.0
Cash equivalents	0.2	0.1
Cash and cash equivalents for the account and at the risk of customers	1,043.6	1,544.5
Balance as at 30 June	**3,491.8**	**4,086.6**
Of which: restricted cash and cash equivalents	53.2	226.5
Supplemental disclosures on cash flow from operating activities		
Interest received	371.4	359.3
Dividends received	62.1	79.4
Interest paid	–5.6	–8.4

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

Basis of preparation

These consolidated IFRS half-year financial statements have been prepared in compliance with IAS 34 (Interim Financial Reporting) of the International Financial Reporting Standards (IFRS) and should be read in conjunction with the 2022 annual report. The accounting principles used to prepare these consolidated IFRS half-year financial statements are the same as those applied to the annual financial statements for 2022 with the exception of the accounting principles relating to IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments.

All amounts shown in these consolidated IFRS half-year financial statements are stated in millions of Swiss francs (CHF million) and have been rounded to one decimal place. Consequently, the 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 IFRS and interpretations

In May 2023, the IASB issued amendments to IAS 12 Income Taxes that grant a temporary exception to the requirement to recognise and disclose deferred tax assets and liabilities in connection with the pillar 2 international tax reforms (global minimum tax). The Baloise Group is applying this exception.

On 1 January 2023, the Baloise Group adopted the following standards with retrospective effect from 1 January 2022:

- IFRS 17 Insurance Contracts
- IFRS 9 Financial Instruments

The nature and extent of the material effects resulting from first-time adoption of these standards are summarised in the following sections.

First-time adoption of IFRS 17 and IFRS 9 also led to changes in the presentation of other financial information.

The newly applied IFRS 17 and IFRS 9 contain numerous technical terms that, in practice, are often used only in their abbreviated form. The Baloise Group uses the most common abbreviations, which are set out below:

List of abbreviations IFRS

Abbreviation	Original English term
AC	amortised cost
CF	cash flow
CSM	contractual service margin
CU	coverage unit
DAC	deferred acquisition costs
DPF	discretionary participation feature
EaD	exposure at default
ECL	expected credit loss
FRA	full retrospective approach
FCF	fulfilment cash flows
FV	fair value
FVA	fair value approach
FVOCI	fair value through OCI
FVPL	fair value through profit or loss
GIC	groups of insurance contracts
GMM	general measurement model
HTM	held to maturity
IACF	insurance acquisition cash flows
IFIE	insurance finance income or expenses
LaR	loans and receivables
LC	loss component
LGD	loss given default
LIC	liability for incurred claims
LRC	liability for remaining coverage
LORECO	loss recovery component
MRA	modified retrospective approach
OCI	other comprehensive income
PAA	premium allocation approach
PD	probability of default
PIC	portfolios of insurance contracts
POCI	purchased or originated credit-impaired
PVFCF	present value of future cash flows
RA	risk adjustment
SPPI	solely payments of principal and interest
VFA	variable fee approach

IFRS 17 Insurance Contracts
IFRS 17 establishes uniform principles, consistent with the principles in other IFRS, for the measurement, presentation and disclosure of insurance contracts and reinsurance contracts. This section provides an overview of the requirements in the standard. The details of the accounting policies applied by Baloise are described in the section 'Insurance contract liabilities'.

Measurement is based on projections of the net cash flows from the contracts assigned to groups of insurance contracts (GICs). The projections are updated on an ongoing basis. These cash flows are discounted using current, risk-congruent discount rates and carry a risk adjustment (RA) in order to reflect the price of taking on non-financial risk. If the initial measurement with the fulfilment cash flows (FCFs) calculated in this way yields a positive margin for the services still to be performed under the insurance contract and for the investment-related services such margin is deferred within insurance contract liabilities as the contractual service margin (CSM) and is subsequently recognised in profit or loss over the remaining coverage period.

Assets and liabilities from insurance business are recognised separately, broken down into coverage underwritten by the Baloise Group itself (insurance contracts issued) and outward reinsurance (reinsurance contracts held). Furthermore, the disclosures for all types of insurance contract are broken down into the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). For a significant part of non-life insurance business, measurement of the LRC largely follows the previous approach and is based on the deferral of premiums not yet earned.

The revenue from insurance services and investment-related services generally arises from the change in the LRC, provided that these changes are not attributable to cash inflows from policyholders or financial effects and do not relate to the performance of services that are not covered by policyholders' premiums. The IFRS 17 model thus essentially follows the general revenue approach used in IFRS 15 Revenue from Contracts with Customers, and revenue is no longer reported directly on the basis of the receipt of premiums. Furthermore, the portion of the policyholder benefits that has to be granted regardless of the occurrence of an insured event (investment component) is eliminated from the income statement.

The revenue calculated in this way is set against the associated non-financial expenses actually incurred, which include the insurance services and all costs that are directly attributable to the insurance contracts. Regardless of the timing of payment, insurance acquisition cash flows are allocated on a systematic basis over the coverage period for recognition as revenue and at all times in the same amount for recognition as an expense. A longer-term deferral of insurance acquisition cash flows already paid, but not yet recognised as an expense, is carried out only if the insurance acquisition cash flows were paid for expected future renewals of existing contracts.

All financial effects from insurance contracts are reported separately, and IFRS 17 provides the option for portfolios of insurance contracts and reinsurance contracts to recognise the effects of changes to financial assumptions on the LRC and LIC in other comprehensive income (OCI). When contracts are derecognised from such portfolios, the related OCI components are recycled. Under IFRS 17, a concept similar to the shadow accounting previously used by the Baloise Group no longer exists.

If own shares of the Baloise Group or owner-occupied properties are among the underlying items that determine the policyholder benefits for certain contracts with participation features, these items are measured at FVPL in order to avoid any accounting mismatches that might otherwise arise. The cash flows relating to certain policy loans are considered to be part of the insurance contract and are no longer recognised as separate financial instruments.

Transition

The Baloise Group introduced IFRS 17 retrospectively using the modified retrospective approach (MRA) and the fair value approach (FVA) for certain portfolios and certain aspects of classification, grouping and measurement.

In life insurance, Baloise Group measured all of its business existing on the transition date to IFRS 17 (1 January 2022) on a fully retrospective basis for the longest period of time feasible with respect to data availability for each business unit. In this context, fully retrospective measurement refers to treating the contracts as if IFRS 17 had been applicable during this entire period of time. For contracts dating further back, effects from prior periods were measured by either the modified retrospective approach or the fair value approach, also predominantly depending on data availability.

In the non-life insurance business, Baloise applies the fully retrospective approach almost exclusively. The modified retrospective approach was used to calculate the historical discounts only for liabilities for incurred claims from claims years that are a long way in the past.

Measurement of reinsurance contracts, for both life and non-life, uses the same approach as for gross business.

IFRS 9 Financial Instruments

After the temporary exemption from applying IFRS 9 ended, the Baloise Group applied IFRS 9 Financial Instruments with effect from 1 January 2023 with retrospective effect from 1 January 2022. IFRS 9 sets out accounting principles on the classification and measurement of financial instruments, the impairment of assets and hedge accounting.

Classification of a financial asset is based on the entity's business model on the one hand and the characteristics of the contractual cash flows of the financial asset on the other. Previously, under IAS 39, credit losses were recognised only when the loss event occurred.

Under the new impairment model in IFRS 9, however, a loss allowance for expected credit losses (ECLs) is recognised. The IFRS 9 model consists of three stages that determine the amount at which the loss allowance is recognised and the recognition of interest. At the time of initial recognition, expected losses must be recognised in the amount of the present value of the twelve-month expected credit loss (stage 1). If the credit risk has increased significantly, the loss allowance has to be increased to the amount of the lifetime expected credit losses (stage 2). If objective evidence of impairment arises, interest has to be recognised on the basis of the net carrying amount (stage 3).

The figures for the prior-year period have been adjusted accordingly.

Recognition and measurement effects

Due to the classification criteria 'business model' and 'characteristics of the contractual cash flows' (satisfaction of the criteria for the SPPI test), the debt instruments that were classified as measured at amortised cost (AC) under IAS 39 continue to satisfy these criteria and are therefore still recognised at AC, provided they are not designated as at FVPL in the life insurance business. Similarly, the debt instruments that were classified as available for sale (AFS) under IAS 39 are measured at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVPL) under IFRS 9. The debt instruments that were previously measured at fair value through profit or loss under IAS 39 continue to be measured at fair value through profit or loss (FVPL) under IFRS 9.

The equity instruments that were classified as available for sale (AFS) under IAS 39 are measured either at fair value through profit or loss (FVPL) or, in the case of equities in the non-life business, at fair value through other comprehensive income (FVOCI) under IFRS 9.

The gains and losses resulting from the fair value measurement of these transferred equity instruments that were previously recognised in other comprehensive income were reclassified to retained earnings as at 1 January 2022.

The following tables show the impact of first-time adoption of IFRS 9 on the carrying amounts as at 1 January 2022:

		Carrying amount IAS 39			Carrying amount IFRS 9
	IAS 39 category	31.12.2021	Reclassification	Remeasurement	01.01.2022
CHF million					
Assets					
Financial instruments with characteristics of equity	AFS	913.6	-10.0	–	903.6
Financial instruments with characteristics of debt	AFS	5,905.6	-100.1	0.3	5,805.8
Financial instruments with characteristics of debt	HTM	399.2	–	52.6	451.9
Mortgages and loans	LaR	678.5	–	16.4	694.9
Total financial instruments FVOCI		**7,897.0**	**-110.1**	**69.3**	**7,856.1**
Financial instruments with characteristics of equity	AFS	3,768.1	10.6	–	3,778.7
Financial instruments with characteristics of equity	FVPL	14,490.3	–	–	14,490.3
Financial instruments with characteristics of debt	AFS	22,597.3	99.5	–	22,696.7
Financial instruments with characteristics of debt	FVPL	2,083.2	–	–	2,083.2
Financial instruments with characteristics of debt	HTM	5,862.3	–	1,202.7	7,064.9
Mortgages and loans	LaR	6,677.6	-128.2	232.2	6,781.5
Mortgages and loans	FVPL	981.5	-0.1	–	981.4
Derivative financial instruments	FVPL	902.1	-6.0	–	896.1
Total financial instruments FVPL		**57,362.2**	**-24.2**	**1,434.8**	**58,772.8**
Financial instruments with characteristics of debt	HTM	114.0	–	–	114.0
Mortgages and loans	LaR	7,761.4	-24.2	-1.7	7,735.5
Financial receivables	LaR	606.2	15.6	–	621.8
Cash and cash equivalents	LaR	4,073.5	–	–	4,073.5
Total financial instruments AC		**12,555.1**	**-8.6**	**-1.7**	**12,544.8**
Total financial instruments		**77,814.3**	**-142.9**	**1,502.4**	**79,173.7**

		Carrying amount IAS 39			Carrying amount IFRS 9
	IAS 39 category	31.12.2021	Reclassification	Remeasurement	01.01.2022
CHF million					
Liabilities					
Liabilities arising from financial contracts	AC	8,189.7	-0.0	46.3	8,236.0
Financial liabilities	AC	2,425.7	0.0	0.0	2,425.7
Other liabilities and other financial liabilities	AC	803.4	37.9	0.0	841.3
Financial liabilities AC		**11,418.8**	**37.9**	**46.3**	**11,503.0**
Liabilities arising from financial contracts	FVPL	18,692.7	-3,925.3	-1,124.5	13,642.9
Derivative financial instruments	FVPL	89.8	-0.5	0.0	89.4
Financial liabilities FVPL		**18,782.5**	**-3,925.8**	**-1,124.5**	**13,732.2**
Total financial liabilities		**30,201.3**	**-3,887.9**	**-1,078.2**	**25,235.2**

Expected credit losses (ECLs)

The total amount of loss allowances is based mainly on the expected credit losses for mortgages and loans measured at AC. They are calculated using the expected credit loss model (ECL) in accordance with the provisions of IFRS 9. The difference between the impairment previously recognised under IAS 39 and the expected credit losses under IFRS 9 were recognised in equity (retained earnings) as at the transition date 1 January 2022.

The following table shows the reconciliation from IAS 39 to IFRS 9 on 1 January 2022 for the impairment of financial instruments:

	Impairment IAS 39			Impairment IFRS 9
	31.12.2021	Reclassification	Remeasurement	01.01.2022
CHF million				
Financial instruments with characteristics of debt FVOCI	**17.2**	**–**	**-8.0**	**9.1**
from AFS (IAS 39)	17.2	–	-8.0	9.1
from HTM (IAS 39)	–	–	0.0	0.0
Mortgages and loans FVOCI	**–**	**–**	**0.0**	**0.0**
from LaR (IAS 39)	–	–	0.0	0.0
Mortgages and loans AC	**24.7**	**–**	**-5.9**	**18.9**
from LaR (IAS 39)	24.7	–	-5.9	18.9
Financial receivables AC	**3.5**	**–**	**0.9**	**4.4**
from LaR (IAS 39)	3.5	–	0.9	4.4
Total	**45.4**	**0.0**	**-13.0**	**32.4**

Application of the new impairment model for financial instruments had a positive impact on retained earnings of CHF 44.2 million as at 1 January 2022. This includes impairment on FVOCI debt instruments amounting to CHF 9.2 million that was recognised through other comprehensive income.

Changes in the fair value of owner-occupied properties
In connection with the assignment of owner-occupied properties recognised under property, plant and equipment as underlying items for life insurance contracts measured using the VFA, these owner-occupied properties are now measured at FVPL. Previously, they were measured at amortised cost. This resulted in the remeasurement of owner-occupied properties from CHF 278.3 million to CHF 418.8 million. The remeasurement effect was recognised directly in retained earnings as at 1 January 2022.

Impact on retained earnings

CHF million	Retained earnings
Balance as at 31 December 2021	**6,809.7**
Remeasurement as a result of the initial application of IFRS 17	–5,949.0
Effects from the reclassification of financial assets (and liabilities) (incl. expected losses)	3,599.8
Effects from the reclassification of property, plant and equipment to FVPL under IAS 16	140.5
Deferred taxes as a result of the initial application of IFRS 17	1,125.5
Deferred taxes as a result of the initial application of IFRS 9	–754.9
Deferred taxes as a result of reclassification to FVPL under IAS 16	–30.6
Balance as at 1 January 2022	**4,941.2**

Impact on other comprehensive income

CHF million	Other comprehensive income
Balance as at 31 December 2021	**178.9**
Impact as a result of the initial application of IFRS 9	–2,191.7
of which: reclassification of financial instruments classified as available for sale (IAS 39)	–2,499.7
– Recognised at fair value through OCI (IFRS 9)	–180.4
– Recognised at fair value through profit or loss (IFRS 9)	–2,319.3
of which: derecognition of reserves from reclassification of held-to-maturity financial instruments (IAS 39)	–3.1
of which: unrealised gains and losses on financial instruments FVOCI (gross)	301.8
of which: expected loss on financial instruments with characteristics of debt at fair value through OCI	9.2
Deferred taxes as a result of the initial application of IFRS 9	433.1
Impact as a result of the initial application of IFRS 17	648.1
of which: derecognition of shadow accounting (IFRS 4)	821.9
of which: other reserve from insurance service expenses as a result of the initial application of IFRS 17	–173.8
Deferred taxes as a result of the initial application of IFRS 17	–135.5
Balance as at 1 January 2022	**–1,067.2**

Changes in shareholdings and in the group of consolidated entities

In the first half of 2023, the Baloise Group acquired a majority stake (63.7 per cent) in Switzerland-based Parcandi AG at a purchase price of CHF 1.8 million, thereby expanding its Mobility ecosystem to include a provider of car parking services in Switzerland and Germany.

Acquisitions and disposals of companies

No acquisitions or disposals were made in the first half of 2023.

Non-current assets and disposal groups classified as held for sale

	30.06.2023			31.12.2022		
	Disposal groups	Non-current assets	Total	Disposal groups	Non-current assets	Total
CHF million						
Property, plant and equipment	–	–	–	–	–	–
Intangible assets	–	–	–	–	–	–
Investment property	–	21.8	21.8	–	136.8	136.8
Financial instruments with characteristics of equity and debt	–	–	–	–	–	–
Mortgages and loans	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–
Insurance and reinsurance contract assets	9.1	–	9.1	9.8	–	9.8
Financial receivables	90.1	–	90.1	95.8	–	95.8
Other assets	–	–	–	–	–	–
Cash and cash equivalents	–	–	–	–	–	–
Total assets	**99.2**	**21.8**	**120.9**	**105.6**	**136.8**	**242.4**
Insurance and reinsurance contract liabilities	143.6	–	143.6	150.8	–	150.8
Liabilities arising from financial contracts	–	–	–	–	–	–
Other liabilities	–	0.6	0.6	–	2.2	2.2
Total liabilities	**143.6**	**0.6**	**144.1**	**150.8**	**2.2**	**152.9**
Unrealised losses directly associated with non-current assets and disposal groups classified as held for sale	**–2.3**	**–**	**–2.3**	**–7.9**	**–**	**–7.9**

Baloise intends to dispose of the German run-off portfolio for hospital liability insurance and regards the IFRS 5 criteria as still being met at the end of the first half of 2023. In accordance with IFRS 5, the corresponding assets and liabilities were reclassified for the first time as at 30 June 2022. The reclassification relates to the Group business segment.

Three investment properties, whose sale had not yet been completed as at the balance sheet date, continue to be held for sale.

Exchange rates

	Balance sheet		Income statement	
	30.06.2023	31.12.2022	Ø 2023	Ø 2022
CHF				
1 EUR (euro)	0.98	0.99	0.99	1.03
1 USD (US dollar)	0.89	0.92	0.91	0.94

Information on operating segments (segment reporting)

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

- Switzerland
- Germany
- Belgium
- Luxembourg

The “Luxembourg” segment also includes the Baloise Life Liechtenstein unit.

The “Group business” segment comprises the units engaged in intercompany reinsurance and financing, Group IT, the holding companies, the German hospital liability business, which was transferred to the Group’s run-off portfolio in 2018, and a portfolio of variable annuities products.

The revenue generated by the Baloise Group is broken down into the “Non-Life”, “Life”, “Asset Management & Banking” and “Other Activities” operating segments.

The Non-Life operating segment offers accident and health insurance as well as products relating to liability, motor, property and marine insurance. These products are tailored to the specific needs of our customers – primarily retail clients – and the core competences of the relevant companies in the Baloise Group.

The Life operating segment provides individuals and companies with a wide range of endowment policies, term insurance, investment-linked products and private placement life insurance.

The “Asset Management & Banking” operating segment encompasses banking-related areas of asset management as well as the actual banking area.

The “Other Activities” operating segment includes equity investment companies, real estate firms and financing companies.

The accounting policies applied to the presentation of the segment reporting are those used throughout the half-year financial report. No intersegment relationships recognised either on the balance sheet or in the income statement – with the exception of income from long-term equity investments – are offset against each other.

Segment reporting by strategic business unit (first half-year)

	Switzerland		Germany		Belgium		Luxembourg	
	2023	2022	2023	2022	2023	2022	2023	2022
CHF million								
Insurance revenue	1,226.7	1,219.0	542.0	513.3	816.6	831.0	87.4	88.8
Insurance service expenses	– 975.6	– 985.8	– 456.8	– 451.9	– 700.4	– 742.9	– 79.0	– 72.6
Insurance service result from reinsurance contracts	– 33.0	– 36.9	– 34.6	– 17.7	– 37.6	– 4.3	3.8	– 7.4
Insurance service result	**218.0**	**196.4**	**50.6**	**43.6**	**78.6**	**83.9**	**12.2**	**8.8**
Insurance finance income and expenses from insurance contracts	– 817.1	2,488.8	– 283.8	1,148.4	– 214.3	1,421.8	– 47.6	228.6
Insurance finance income and expenses from reinsurance contracts	0.7	0.2	2.1	15.4	11.2	– 10.6	1.6	0.6
Insurance finance income and expenses	**– 816.5**	**2,489.0**	**– 281.8**	**1,163.8**	**– 203.1**	**1,411.2**	**– 46.0**	**229.2**
Interest revenue calculated using the effective interest method	0.7	– 0.4	– 1.2	– 3.0	1.1	– 3.7	– 0.1	– 0.2
Investment income	434.9	392.2	88.5	91.2	106.3	108.5	10.7	9.5
Realised gains and losses on investments	509.6	– 2,893.8	205.1	– 1,222.6	127.1	– 1,516.9	438.0	– 1,546.5
Expected credit loss on financial assets	– 1.3	– 4.4	0.0	0.0	0.0	– 0.1	0.1	0.0
Result from financial contracts	– 49.0	100.5	– 8.5	– 0.8	– 7.7	3.8	– 395.9	1,320.3
Result from investments and financial contracts	**894.9**	**– 2,405.8**	**284.0**	**– 1,135.2**	**226.9**	**– 1,408.3**	**52.8**	**– 216.9**
Income from services rendered	59.5	58.3	15.6	6.7	5.9	4.1	0.9	0.7
Other operating income	42.0	54.3	8.9	11.4	4.3	6.3	8.2	10.1
Other operating expenses	– 155.2	– 170.3	– 58.6	– 41.8	– 95.0	– 77.7	– 13.1	– 18.7
Share of profit (loss) of associates	– 7.5	– 1.3	4.0	3.4	– 0.1	0.0	–	–
Profit and loss from owner-occupied properties FVPL	– 6.0	–	– 1.7	– 0.3	–	–	–	–
Profit / loss for the period before borrowing costs and taxes	**229.3**	**220.5**	**21.1**	**51.6**	**17.6**	**19.3**	**15.0**	**13.3**
Income between segments	– 18.9	– 24.7	– 7.9	– 9.5	– 5.4	– 1.9	– 1.5	– 1.7
Borrowing costs	– 5.1	– 5.1	0.0	0.0	0.0	0.0	– 0.2	0.0
Profit / loss for the period before taxes	**224.2**	**215.4**	**21.1**	**51.6**	**17.6**	**19.3**	**14.9**	**13.3**
Income taxes	– 36.0	– 37.3	– 8.4	– 11.3	– 0.5	– 15.9	– 3.5	– 2.0
Profit / loss for the period (segment result)	**188.2**	**178.1**	**12.6**	**40.3**	**17.0**	**3.4**	**11.3**	**11.3**
Segment assets as at 30 June	43,212.9	45,623.2	10,360.7	10,888.0	11,750.3	12,492.0	12,790.8	12,626.4
Segment assets as at 31 December	–	43,481.0	–	10,248.5	–	11,684.3	–	12,456.0

Sub-total		Group business		Eliminated		Total		
2023	2022	2023	2022	2023	2022	2023	2022	
								CHF million
2,672.7	2,652.2	105.8	89.8	- 83.2	- 65.9	2,695.3	2,676.1	Insurance revenue
- 2,211.8	- 2,253.2	- 88.9	- 65.4	60.1	57.3	- 2,240.6	- 2,261.3	Insurance service expenses
- 101.4	- 66.3	3.6	- 7.6	24.2	9.3	- 73.5	- 64.6	Insurance service result from reinsurance contracts
359.6	**332.7**	**20.5**	**16.8**	**1.2**	**0.7**	**381.2**	**350.2**	**Insurance service result**
- 1,362.8	5,287.5	- 1.2	6.9	3.9	- 14.3	- 1,360.1	5,280.0	Insurance finance income and expenses from insurance contracts
15.5	5.6	- 0.2	- 0.2	- 4.0	5.1	11.3	10.4	Insurance finance income and expenses from reinsurance contracts
- 1,347.3	**5,293.1**	**- 1.4**	**6.6**	**- 0.1**	**- 9.3**	**- 1,348.7**	**5,290.5**	**Insurance finance income and expenses**
0.5	- 7.2	0.1	- 0.1	–	–	0.6	- 7.3	Interest revenue calculated using the effective interest method
640.5	601.4	11.5	8.3	- 16.7	- 13.1	635.3	596.6	Investment income
1,279.9	- 7,179.7	1.9	- 63.2	–	2.6	1,281.7	- 7,240.2	Realised gains and losses on investments
- 1.2	- 4.5	0.0	- 0.1	–	–	- 1.1	- 4.5	Expected credit loss on financial assets
- 461.1	1,423.8	- 14.4	40.7	16.8	13.3	- 458.7	1,477.8	Result from financial contracts
1,458.6	**- 5,166.2**	**- 0.9**	**- 14.3**	**0.0**	**2.8**	**1,457.8**	**- 5,177.7**	**Result from investments and financial contracts**
81.9	69.9	79.0	80.2	- 87.6	- 87.7	73.4	62.4	Income from services rendered
63.3	82.0	8.9	14.3	- 16.5	- 19.8	55.7	76.5	Other operating income
- 321.9	- 308.4	- 116.1	- 111.0	103.0	113.3	- 335.1	- 306.1	Other operating expenses
- 3.6	2.0	- 5.8	–	–	–	- 9.4	2.0	Share of profit (loss) of associates
- 7.7	- 0.3	–	–	–	–	- 7.7	- 0.3	Profit and loss from owner-occupied properties FVPL
282.9	**304.8**	**- 15.7**	**- 7.4**	**–**	**–**	**267.2**	**297.4**	**Profit / loss for the period before borrowing costs and taxes**
- 33.7	- 37.8	- 107.0	- 105.8	140.7	143.6	–	–	Income between segments
- 5.2	- 5.2	- 9.3	- 5.6	–	–	- 14.5	- 10.8	Borrowing costs
277.7	**299.6**	**- 25.0**	**- 13.0**	**–**	**–**	**252.7**	**286.6**	**Profit / loss for the period before taxes**
- 48.5	- 66.5	- 0.6	- 6.4	–	–	- 49.1	- 72.9	Income taxes
229.2	**233.1**	**- 25.6**	**- 19.4**	**–**	**–**	**203.6**	**213.7**	**Profit / loss for the period (segment result)**
78,114.7	81,629.6	2,558.8	2,689.4	- 2,311.6	- 2,525.8	78,361.9	81,793.3	Segment assets as at 30 June
–	77,869.9	–	2,453.4	–	- 2,328.7	–	77,994.6	Segment assets as at 31 December

Segment reporting by operating segment (first half-year)

	Non-Life		Life		Asset Management & Banking	
	2023	2022	2023	2022	2023	2022
CHF million						
Insurance revenue	1,984.0	1,967.6	715.1	712.7	–	–
Insurance service expenses	–1,658.6	–1,695.2	–587.1	–568.7	–	–
Insurance service result from reinsurance contracts	–73.4	–55.5	1.2	–10.8	–	–
Insurance service result	**252.0**	**216.9**	**129.3**	**133.3**	**–**	**–**
Insurance finance income and expenses from insurance contracts	–59.1	–45.1	–1,300.8	5,324.9	–	–
Insurance finance income and expenses from reinsurance contracts	11.3	0.8	–0.2	9.7	–	–
Insurance finance income and expenses	**–47.7**	**–44.3**	**–1,301.0**	**5,334.7**	**–**	**–**
Interest revenue calculated using the effective interest method	0.4	–7.2	0.2	–0.1	0.0	0.0
Investment income	95.0	89.8	481.0	470.9	65.8	41.8
Realised gains and losses on investments	–18.6	3.6	1,289.5	–7,156.5	5.7	–41.6
Expected credit loss on financial assets	–0.6	–5.1	–1.0	0.1	0.4	0.5
Result from financial contracts	–7.2	–7.0	–427.6	1,398.0	–26.6	32.7
Result from investments and financial contracts	**69.0**	**74.1**	**1,342.0**	**–5,287.7**	**45.3**	**33.3**
Income from services rendered	43.4	27.8	7.3	12.3	78.7	83.3
Other operating income	27.8	19.9	35.6	61.9	5.9	7.9
Other operating expenses	–186.5	–153.6	–97.5	–111.2	–86.5	–84.3
Share of profit (loss) of associates	0.3	–1.1	–3.8	3.1	–0.1	–
Profit and loss from owner-occupied properties FVPL	–	–	–7.7	–0.3	–	–
Profit / loss for the period before borrowing costs and taxes	**158.2**	**139.7**	**104.3**	**146.0**	**43.4**	**40.2**
Borrowing costs	–0.2	–0.1	–5.0	–5.1	0.0	0.0
Profit / loss for the period before taxes	**158.0**	**139.5**	**99.3**	**140.9**	**43.4**	**40.2**
Income taxes	–32.5	–34.2	–8.0	–29.1	–6.9	–6.3
Profit / loss for the period (segment result)	**125.5**	**105.3**	**91.3**	**111.8**	**36.5**	**33.9**

	Other Activities		Eliminated		Total		
	2023	2022	2023	2022	2023	2022	CHF million
	–	–	-3.8	-4.2	2,695.3	2,676.1	Insurance revenue
	–	–	5.2	2.5	-2,240.6	-2,261.3	Insurance service expenses
	–	–	-1.3	1.6	-73.5	-64.6	Insurance service result from reinsurance contracts
	–	**–**	**0.0**	**0.0**	**381.2**	**350.2**	**Insurance service result**
	–	–	-0.2	0.2	-1,360.1	5,280.0	Insurance finance income and expenses from insurance contracts
	–	–	0.2	-0.1	11.3	10.4	Insurance finance income and expenses from reinsurance contracts
	–	**–**	**0.0**	**0.1**	**-1,348.7**	**5,290.5**	**Insurance finance income and expenses**
	–	–	–	–	0.6	-7.3	Interest revenue calculated using the effective interest method
	10.7	7.6	-17.2	-13.6	635.3	596.6	Investment income
	5.1	-48.3	–	2.6	1,281.7	-7,240.2	Realised gains and losses on investments
	0.0	-0.1	–	–	-1.1	-4.5	Expected credit loss on financial assets
	-14.5	40.5	17.2	13.7	-458.7	1,477.8	Result from financial contracts
	1.4	**-0.2**	**0.0**	**2.8**	**1,457.8**	**-5,177.7**	**Result from investments and financial contracts**
	74.9	74.4	-130.9	-135.4	73.4	62.4	Income from services rendered
	6.6	10.4	-20.2	-23.5	55.7	76.5	Other operating income
	-115.7	-113.0	151.1	156.0	-335.1	-306.1	Other operating expenses
	-5.8	–	–	–	-9.4	2.0	Share of profit (loss) of associates
	–	–	–	–	-7.7	-0.3	Profit and loss from owner-occupied properties FVPL
	-38.6	**-28.5**	**–**	**–**	**267.2**	**297.4**	**Profit / loss for the period before borrowing costs and taxes**
	-9.3	-5.6	–	–	-14.5	-10.8	Borrowing costs
	-47.9	**-34.0**	**–**	**–**	**252.7**	**286.6**	**Profit / loss for the period before taxes**
	-1.7	-3.2	–	–	-49.1	-72.9	Income taxes
	-49.6	**-37.3**	**–**	**–**	**203.6**	**213.7**	**Profit / loss for the period (segment result)**

Investments and financial liabilities

Return from investments for own account and at own risk

1st half 2023	Interest revenue calculated using the effective interest method	Investment income	Realised gains and losses	Change in impairment losses for credit risk	Investment return
CHF million					
Investment return					
Investment property	–	146.0	12.8	–	158.9
Financial instruments with characteristics of equity	–	58.2	107.2	–	165.4
Recognised at fair value through OCI (FVOCI) [1]	–	8.5	–0.2	–	8.3
Recognised at fair value through profit or loss (FVPL)	–	49.6	107.4	–	157.1
Financial instruments with characteristics of debt	2.3	293.9	583.4	–1.9	877.7
Recognised at amortised cost (AC)	0.0	0.6	–	–	0.6
Recognised at fair value through OCI (FVOCI)	2.3	49.3	–17.0	–1.9	32.7
Recognised at fair value through profit or loss (FVPL)	–	244.0	600.4	–	844.4
– of which: mandatorily FVPL	–	1.3	2.0	–	3.3
– of which: designated as FVPL	–	242.8	598.4	–	841.2
Mortgages and loans	–1.7	121.7	–4.3	0.6	116.3
Recognised at amortised cost (AC)	1.4	70.0	5.5	0.6	77.4
Recognised at fair value through OCI (FVOCI)	–3.0	5.7	–	0.0	2.7
Recognised at fair value through profit or loss (FVPL)	–	46.0	–9.8	–	36.2
– of which: mandatorily FVPL	–	–0.1	–0.1	–	–0.2
– of which: designated as FVPL	–	46.1	–9.7	–	36.4
Derivative financial instruments [2]	–	–	–40.5	–	–40.5
Financial receivables	–	7.4	–	0.1	7.5
Cash and cash equivalents	–	4.5	–0.2	–	4.3
Total investment return for own account and at own risk	**0.6**	**631.6**	**658.5**	**–1.1**	**1,289.6**

1 The position “Financial instruments with characteristics of equity – Recognised at fair value through OCI (FVOCI)” comprises gains and losses from hedging operations.
2 The position “Derivative financial instruments” comprises gains and losses on derivative financial assets and derivative financial liabilities.

1st half 2022	Interest revenue calculated using the effective interest method	Investment income	Realised gains and losses	Change in impairment losses for credit risk	Investment return
CHF million					
Investment return					
Investment property	–	142.7	154.4	–	297.1
Financial instruments with characteristics of equity	–	76.7	– 227.4	–	– 150.7
Recognised at fair value through OCI (FVOCI) [1]	–	20.3	–	–	20.3
Recognised at fair value through profit or loss (FVPL)	–	56.4	– 227.4	–	– 171.0
Financial instruments with characteristics of debt	– 4.2	270.4	– 4,618.0	– 5.0	– 4,356.8
Recognised at amortised cost (AC)	–	0.5	–	–	0.5
Recognised at fair value through OCI (FVOCI)	– 4.2	39.2	– 34.2	– 5.0	– 4.2
Recognised at fair value through profit or loss (FVPL)	–	230.7	– 4,583.8	–	– 4,353.2
– of which: mandatorily FVPL	–	2.2	– 41.5	–	– 39.4
– of which: designated as FVPL	–	228.5	– 4,542.3	–	– 4,313.8
Mortgages and loans	– 3.1	103.9	– 661.3	0.4	– 560.2
Recognised at amortised cost (AC)	0.0	40.4	– 61.5	0.4	– 20.6
Recognised at fair value through OCI (FVOCI)	– 3.2	6.4	–	0.0	3.2
Recognised at fair value through profit or loss (FVPL)	–	57.1	– 599.8	–	– 542.7
– of which: mandatorily FVPL	–	0.1	– 2.0	–	– 1.9
– of which: designated as FVPL	–	57.0	– 597.9	–	– 540.8
Derivative financial instruments [2]	–	–	99.9	–	99.9
Financial receivables	–	0.5	–	0.0	0.5
Cash and cash equivalents	–	– 1.8	1.4	–	– 0.4
Total investment return for own account and at own risk	**– 7.3**	**592.4**	**– 5,251.1**	**– 4.5**	**– 4,670.5**

1 The position "Financial instruments with characteristics of equity – Recognised at fair value through OCI (FVOCI)" comprises gains and losses from hedging operations.
2 The position "Derivative financial instruments" comprises gains and losses on derivative financial assets and derivative financial liabilities.

Investments and financial liabilities

The term "investments" is used in the financial report for the sake of clarity. Investments encompass both investment property and financial assets. Financial assets consist of financial instruments with characteristics of equity, financial instruments with characteristics of debt, mortgages, loans, derivatives (assets), cash and cash equivalents, and receivables.

Financial liabilities consist of liabilities arising from financial contracts, derivatives (liabilities) and other financial liabilities.

Investment property

Investment property comprises land and/or buildings held to earn rental income or for capital appreciation (or both). If mixed-use properties cannot be divided into owner-occupied property and property used by third parties, the entire property is classified according to the purpose for which most of its floor space is used. If, owing to a change of use, an investment property held by the Baloise Group becomes the latter's owner-occupied property, it is reclassified as property, plant and equipment. Any such reclassification is based on the property's fair value at the reclassification date. By contrast, if one of the Baloise Group's owner-occupied properties becomes an investment property owing to reclassification, then, on the date this change of use takes effect, the difference between the property's carrying amount and its fair value is recognised in profit or loss in the event of an impairment; or, if the property's fair value exceeds its carrying amount, then the difference is recognised directly in equity as other comprehensive income. If an investment property that was reclassified in a previous period is sold, the amount recognised directly in equity is reclassified to retained earnings. Investment property

is measured at fair value under the discounted cash flow (DCF) method. The current fair value of a property determined under the DCF method equals the sum total of all net income expected in future and discounted to its present value (before interest payments, taxes, depreciation and amortisation) and includes capital expenditure and renovation costs. The net income is determined individually for each property, depending on the opportunities and risks associated with it, and is discounted in line with market rates and on a risk-adjusted basis. The measurement is carried out internally each year by experts using market-based assumptions that have been verified by respected consultancies. In addition, the properties are assessed by external valuation specialists at regular intervals; roughly 10 per cent of the fair value of the real estate portfolio is subject to such assessments each year. Changes in fair value are taken to income as realised accounting gains or losses in the period in which they occur.

Financial assets

The following asset classes are reported as financial instruments with characteristics of equity: shares, units in equity funds, mixed funds, real estate funds, bond funds, money market funds and alternative financial assets such as private equity investments and hedge funds. Financial instruments with characteristics of equity are generally more frequently exposed to price volatility than financial instruments with characteristics of debt.

Financial instruments with characteristics of debt predominantly encompass securities such as bonds and other fixed-income securities. They are usually interest-bearing and are issued for a fixed or determinable amount.

Mortgages and loans are financial instruments with fixed or determinable payments and are generally not traded in an active market, with the exception of registered bonds and promissory notes that are actively traded in the market.

Derivatives are swaps, futures, forward contracts, options, etc. whose value is primarily derived from the underlying interest rates, exchange rates, commodity prices or share prices. The acquisition cost of derivatives is usually either very low or non-existent.

Cash and cash equivalents essentially comprise cash on hand, demand deposits and cash equivalents. Cash equivalents are predominantly short-term liquid investments with residual terms of no more than three months.

Recognition and measurement

IFRS 9 Financial Instruments uses two criteria to classify financial assets and their measurement:

- the business model,
- the characteristics of the contractual cash flows.

The business model indicates how the entity manages its financial assets in order to generate cash flows:

- by collecting contractual cash flows (the cash flows are predominantly from interest payments and capital repayments – 'held to collect');
- by selling financial assets (the cash flows are predominantly from the purchase and sale of assets – 'trading and other'); or
- a combination of the two models described above ('held to collect and sell').

Another criterion to be applied in the classification of financial assets is whether the contractual cash flows are solely payments of principal and interest (SPPI). In this model, interest primarily means consideration for the time value of money, consideration for credit risk and a profit margin. Interest is recognised using the effective interest method.

Based on an analysis of the business model and the nature of the contractual cash flows, a financial asset is allocated to one of the three categories upon initial recognition and subsequently measured accordingly:
- at amortised cost (AC);
- at fair value through other comprehensive income (FVOCI); or
- at fair value through profit or loss (FVPL).

All regular-way purchases of financial assets are recognised on the trade date.

Upon initial recognition, all financial assets are measured at fair value irrespective of the category. With the exception of financial assets measured at fair value through profit or loss (FVPL), the transaction costs are part of the acquisition costs.

Amortised cost (AC)

A financial asset is measured at AC if it satisfies both of the following criteria:
- it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows ('held to collect'), and
- it satisfies the SPPI criterion.

The Baloise Group acquires fixed-income bonds (financial instruments with characteristics of debt) and issues held-to-maturity mortgages and loans in order to collect contractual interest payments. These instruments also satisfy the SPPI criterion. Receivables, cash and cash equivalents held by the Baloise Group are also recognised at AC and are generally carried at their nominal amount.

These financial assets are measured by applying the effective interest method to the amortised cost (gross carrying amount) and by recognising a loss allowance in profit or loss in the amount of the expected credit loss (ECL). The chapter "Impairment losses on financial assets (expected credit losses)" below provides information about the basis of measurement for determining the amount of the expected credit loss.

Currency translation effects on these items are also recognised in profit or loss.

Fair value through other comprehensive income (FVOCI)

A financial asset is measured at FVOCI if it satisfies both of the following criteria:
- it is held within a business model whose objective is both to collect contractual cash flows and to sell financial assets ('held to collect and sell'), and
- it satisfies the SPPI criterion.

The Baloise Group acquires debt instruments (primarily bonds), registered bonds and promissory notes for the purpose of asset/liability management, i.e. to collect the contractual cash flows and/or to sell the financial assets. The financial assets in this portfolio are therefore measured at FVOCI, provided that they also satisfy the SPPI criterion.

Currency translation effects of financial instruments measured at fair value through other comprehensive income and the interest element calculated using the effective interest method are recognised in profit or loss. Any other changes in fair value, however, are recognised in other comprehensive income. The expected credit loss is also recognised in other comprehensive income and does not reduce the carrying amount of the financial instrument. When such financial instruments are sold, the cumulative gains and losses recognised in other comprehensive income are transferred to the income statement.

Fair value through profit or loss (FVPL)

- Mandatorily measured at FVPL: All financial instruments that do not satisfy the SPPI criterion and/or are not held in a 'held to collect' business model or in a 'held to collect and sell' business model are measured at FVPL. Changes in fair value are recognised in profit or loss as realised gains and losses on investments.

  The Baloise Group uses this measurement model for its trading portfolios and for financial instruments with characteristics of equity, provided that the option to measure them at FVOCI has not been exercised. Derivatives are included in this measurement category if they do not qualify as a hedge under IFRS. This is also the case even if they have a hedging function under the Baloise Group's hedging rules. Both positive and negative replacement costs for derivatives are recognised at fair value on the balance sheet.
- Designated as measured at FVPL: An entity may, upon initial recognition, irrevocably designate financial instruments as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Baloise Group primarily exercises this option in respect of financial assets used to satisfy obligations under life insurance contracts.

  Mortgages and loans held as part of a fair value hedge are designated as at FVPL. These portfolios are measured using a present value method (yield curve).

FVOCI option (fair value through other comprehensive income)

Financial instruments with characteristics of equity are generally measured at fair value through profit or loss. At the level of the individual instrument, however, an entity may irrevocably elect, upon initial recognition, to recognise subsequent changes in the equity instrument's fair value in other comprehensive income, provided that the financial asset is not held for trading (FVOCI option).

The Baloise Group exercises this option for equities in the non-life business. All other financial instruments with characteristics of equity – including those held for trading – are measured at fair value through profit or loss.

Where financial instruments with characteristics of equity are measured at fair value through other comprehensive income, the gains and losses on changes in the fair value of these instruments are recognised in other comprehensive income. When these financial instruments are sold, the cumulative gains and losses recognised in other comprehensive income remain in equity and are transferred directly to retained earnings. Dividend income from these financial instruments is recognised in profit or loss.

Hedge accounting

At the time the contract is entered into, a derivative is classified either as a hedging instrument for the fair value of an asset or liability (fair value hedge), as a hedge for future transactions (cash flow hedge), as a hedge of a net investment in a foreign operation or – if it does not satisfy the criteria to qualify as a hedge – as a trading instrument (FVPL).

The Baloise Group's hedge accounting system documents the effectiveness of hedges as well as the objectives and strategies pursued with each hedge. Hedge effectiveness is constantly monitored from when the contract is entered into. Derivatives that no longer qualify as a hedge are reclassified as trading instruments.

- Fair value hedges: When the effective portion of a hedge is being accounted for, changes in the fair value of derivatives classified as fair value hedges are reported in the income statement together with the hedged portion of the fair value of the asset or liability concerned. The ineffective portion of the hedge is recognised separately in the income statement.
- Cash flow hedges: When the effective portion of a hedge is being accounted for, changes in the fair value of derivatives classified as cash flow hedges are recognised directly in equity. The amounts reported in equity under other comprehensive income are taken to the income statement at a later date in line with the hedged cash flows. The ineffective portion of the hedge is recognised in the income statement.

  If a hedging instrument is sold, terminated or exercised or if it no longer qualifies as a hedge, the cumulative gains and losses continue to be recognised directly in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the cumulative gains and losses recognised in equity are transferred to the income statement.

- Hedges of a net investment in a foreign operation: Hedges of a net investment in a foreign operation are accounted for in the same way as cash flow hedges. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity; the ineffective portion is recognised in profit or loss.
  The gain or loss recognised in equity is reclassified to the income statement upon the partial or full disposal of the foreign operation.

Structured products

Structured products are financial instruments (assets or liabilities) that contain embedded derivatives in addition to the host contract. Provided that the economic characteristics and risks of the embedded derivative differ from those of the host contract and that this derivative qualifies as a derivative financial instrument, the embedded derivative is separated from the host contract and is recognised, measured and disclosed separately. If the derivative and the host contract are not separated, the structured product is designated as a host contract recognised at fair value through profit or loss.

Quoted market prices

The fair value of listed financial assets is based on prices in active markets as at the balance sheet date. If no such prices are available, the fair value is estimated using generally accepted methods (such as the present value method), independent assessments based on comparisons with the market prices of similar instruments and the prevailing market situation. Derivatives are measured using publicly quoted prices or on the basis of models. If no publicly quoted prices are available for private equity investments, they are measured on the basis of their net asset value using non-public information from independent external providers. These providers use various methods for their estimates (e.g. analysis of discounted cash flows and reference to similar, recent arm's-length transactions between knowledgeable, willing parties).

If the fair value of hedge funds cannot be determined on the basis of publicly quoted prices, they are measured using prices quoted by independent third-party providers.

A detailed description of fair value measurement and the related disclosures can be found in the section "Fair value measurement".

Securities financing transactions

Cash outflows from reverse repurchase (repo) transactions are offset by corresponding receivables. The financial assets received as collateral from the transaction are not recognised. The relevant transaction is recognised on the balance sheet on the settlement date.

Financial assets transferred as collateral under repurchase agreements continue to be recognised as financial assets. The cash inflows are offset by corresponding liabilities. The securities provided as cover for repos and reverse repos are measured on a daily basis at their current fair values.

The Baloise Group engages in securities lending only. Securities lending transactions may give rise to credit risk. Collateral is requested in order to hedge this credit risk by more than covering the underlying value of the securities that are being lent (mainly bonds). The value of the counterparty's collateral is regularly measured in order to minimise the credit risk involved. Additional collateral is immediately requested if this value falls below the value of required cover. The Baloise Group retains control over the securities throughout the term of its lending transactions, so it continues to recognise these financial instruments as financial assets on its balance sheet. The income received from securities lending is recognised in profit or loss.

Impairment losses on financial assets (expected credit losses)

The impairment principles in IFRS 9 are applied to financial instruments measured at amortised cost (AC) or at fair value through other comprehensive income (FVOCI), receivables (including rent receivables), lease receivables and off-balance-sheet loan commitments and financial guarantee contracts.

Under IFRS 9, expected credit losses (ECL) must be measured in a way that reflects the time value of money and an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The method of measurement must also take appropriate account of all available information about past events, current conditions and forecasts of future conditions.

Information about past events is used to analyse changes in credit quality between the start of the contract term and the current assessment date. Forward-looking information examines credit quality in the subsequent year and up to the

end of the contract term. This expected change in credit quality is determined using macroeconomic factors. In particular, the analysis looks at macroeconomic and financial market indicators to determine whether the expected probability of default in the subsequent year has increased significantly compared with the initial estimate at the time of initial recognition.

Segmentation based on product type and collateral type is carried out for the ECL calculation. In addition to reducing complexity, this segmentation helps to ensure that the specific risks of the financial instruments in question are classified in homogeneous groups and that the relevant parameters for the ECL calculation are defined accordingly and are available in the system. From a conceptual perspective, the same criteria and parameters are always used across a homogeneous segment.

The expected credit losses are a probability-weighted estimate of credit losses within twelve months of the balance sheet date or over the expected life of the financial instrument, i.e. the weighted average of credit losses, with the weighting based on the respective credit risks. To estimate expected credit losses, the Baloise Group evaluates a range of possible outcomes in order to obtain an unbiased and probability-weighted amount. Although there is no need to identify each individual possible scenario, the probability that a credit loss will occur must always be taken into account, irrespective of its probability of occurrence. A probability-weighted estimate is not the same as a single estimate of the worst-case scenario, the best-case scenario or the most probable outcome.

A Group-wide approach is used to model the ECL.

Expected credit losses are generally measured on the basis of four components:
- Probability of default (PD)
- Exposure at default (EaD)
- Loss given default (LGD)
- Discount rate (based on the effective interest rate of the relevant position)

To calculate the ECL, the four components are multiplied:
ECL = PD x EaD x LGD x discount factor

Examples of the factors used by the risk management function to model the probabilities of default for the mortgage portfolio:
- Change in gross domestic product
- Movement in interest rates
- Change in the unemployment rate
- Change in the house price index

The modelling of the probabilities of default for the bond portfolio draws on credit spread forecasts; in the case of receivables, the historical probability of default is adjusted on the basis of an expert evaluation.

The (average) expected loss is recognised in the income statement when the transaction is entered into. At the balance sheet date all affected positions are assigned to one of the following three stages on the basis of the change in the counterparty's credit quality:
- Stage 1 (performing)
- Stage 2 (underperforming)
- Stage 3 (non-performing)

- Stage 1 (performing)
  As a rule, all positions are assigned to stage 1 (performing) upon initial recognition unless the counterparty is already in default. For these assets, the twelve-month ECL must be calculated and recognised. This is the portion of the expected credit losses that result from default events that are expected within the twelve months after the balance sheet date, provided that the credit risk has not increased significantly since initial recognition.

- Determination of a significant increase in credit risk
  If credit risk increases significantly, the position must be classified as underperforming. The assessment of whether credit risk has increased significantly is carried out on the basis of the following factors:

  Quantitative criteria:
  The starting point is a comparison of credit risk over the residual life at the time of initial recognition and at each balance sheet date. On this basis, criteria are defined that are indicative of a significant increase in credit risk.

  Qualitative criteria:
  Determination of the quantitative criteria must also take qualitative criteria into account. These criteria are used inhouse to identify insolvency or a higher probability that a counterparty will become insolvent or that the credit risk will remain elevated for the foreseeable future.

  Backstop indicators:
  A safety threshold (backstop) is applied in which contractual payments that are more than 30 days past due in stage 2 (90 days in stage 3) constitute a significant increase in credit risk.

- Stage 2 (underperforming)
  The Baloise Group recognises a loss allowance in the amount of the lifetime expected credit losses for financial assets whose credit risk is assumed to have increased significantly since initial recognition. This requires the ECL to be calculated on the basis of the lifetime probability of default, the lifetime loss given default and the lifetime exposure at default, which represents the probability of default for the residual term of the financial asset.
  The loss allowance for credit risk is higher in this stage because the credit risk increases and the effects of a longer horizon than the twelve months used in stage 1 are taken into account.

- Stage 3 (non-performing)
  Assignment to stage 3 is carried out only where a loss event has effectively occurred. For financial assets that are classified as in default, a loss allowance is recognised in the amount of the expected credit losses, taking account of a probability of default of 100 per cent based on the cash flows expected to be achieved from the asset. Financial assets that are already impaired upon initial recognition on the balance sheet are categorised within stage 3 with a carrying amount that reflects the lifetime expected credit losses (purchased or originated credit-impaired financial assets (POCI assets)).
  In the event of assignment to stage 3, a loss allowance is recognised manually in the amount of the expected default, based on information about the loss event. A model is used to calculate the ECL for mortgage loans in stage 3. For financial instruments with characteristics of debt in stage 3, the ECL is not calculated using a model. Instead, suitable experts estimate the lifetime ECL.

Criteria for reversals of impairment losses

A financial instrument is reassigned from stage 2 to stage 1 if the above-mentioned qualitative and quantitative criteria are no longer met and the position has been regularly serviced again for at least 180 days. A financial instrument is reassigned from stage 3 to stage 1 if all of the necessary criteria for this transfer are satisfied and the position has been regularly serviced again for at least 360 days and no loss allowances have been recognised. There are no circumstances in which instruments are reassigned from stage 3 to stage 2. If an impairment loss is reversed, the position is transferred directly to stage 1 once the necessary conditions have been met.

Option for financial instruments with low credit risk

For bonds (including accrued interest), promissory notes and time deposits, the low credit risk exemption provided as an option under IFRS 9 is applied. Under this exemption, all investment-grade financial instruments are assigned to stage 1. These include non-speculative investments where there is a high probability that the outstanding receivable can be repaid and the credit risk is therefore low.

Simplified approach under the impairment model

The simplified approach is generally used for all rent receivables. These are usually of a short-term nature and therefore do not contain a significant financing component. The short-term nature of the receivables means that the expected twelve-month credit loss equals its lifetime expected credit loss, making a transfer from stage 1 to stage 2 irrelevant. Consequently, the expected credit loss for the residual life of the receivable is calculated for all rent receivables that are not past due.

Recognition of loss allowances on the balance sheet

On the balance sheet, the loss allowance for debt instruments measured at AC is deducted from the asset. For debt instruments measured at FVOCI, the loss allowance is recognised in other comprehensive income (equity) and therefore does not reduce the carrying amount of the asset on the balance sheet. This ensures that the carrying amounts of these assets are always equal to their fair value. The gross carrying amount of a financial asset is reduced if it is no longer reasonable to assume that it will recover, i.e. the outstanding receivable is no longer considered collectible or is cancelled. The timing of the write-off is determined individually on a case-by-case basis as soon as there is no longer any reasonable prospect of recovery. Where receivables are backed by collateral, the write-off is recognised only after the forced sale of the pledged assets, whereby the amount written off represents the remaining amount not covered by the collateral.

Revenue recognition

- Interest income: Interest income from financial instruments that are not measured at fair value through profit or loss is recognised using the effective interest method. The calculation of interest income depends on the stage of the impairment model to which the financial instrument has been assigned.

  In stages 1 and 2, there is no link between recognition of interest and impairment. The interest income is therefore calculated on the gross carrying amount (without deduction of the loss allowance). If a financial asset is assigned to stage 3, the interest income is calculated on the amortised cost of the financial asset (i.e. the gross carrying amount less the loss allowance) and not on the gross carrying amount.
- Dividend income: Dividend income from financial assets is recognised in profit or loss as soon as a legal entitlement to receive payment arises.

Result from financial contracts

CHF million	1st half 2023	1st half 2022
Result from financial contracts for own account and at own risk		
Interest expenses	–27.3	–5.4
Realised gains and losses	–7.8	41.6
Result from financial contracts for own account and at own risk	**–35.2**	**36.2**
Result from financial contracts for the account and at the risk of policyholders and third parties	–423.6	1,441.6
Result from financial contracts	**–458.7**	**1,477.8**

Fair value measurement

Hierarchy levels

Where available, quoted market prices are used to determine the fair value of assets and liabilities. 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).

Fair value measurement is divided into the following three hierarchy levels:

- Fair value determined by publicly quoted 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 only to a very minor degree), either because this data 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 3 assets and liabilities
The table below 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	Range of input factors
Level 2			
Financial instruments with characteristics of equity			
Recognised at fair value through OCI (FVOCI)	Internal measurement methods	Price of underlying instrument, liquidity discount, balance sheet and income statement figures	–
	Net asset value	n.a.	–
Recognised at fair value through profit or loss (FVPL)	Net asset value	n.a.	–
Financial instruments with characteristics of debt			
Recognised at fair value through OCI (FVOCI)	Present-value model	Yield curve, swap rates, default risk	–
Recognised at fair value through profit or loss (FVPL)	Present-value model Net asset value	Interest rate, credit spread, market price n.a.	–
Mortgages and loans			
Recognised at amortised cost (AC)	Present-value model	Interest rate, credit spread	–
Recognised at fair value through profit or loss (FVPL)	Present-value model	SARON, swap rates	–
Derivative financial instruments	Black-Scholes option pricing model	Money market interest rate, volatility, price of underlying instrument, exchange rates	–
	Black-76	Volatility, forward interest rate	–
Liabilities arising from financial contracts			
Recognised at fair value through profit or loss (FVPL)	Stochastic present-value model	Investment fund prices, interest rates, cancellation rate	–
	Present-value model	SARON, swap rates	–
Level 3			
Financial instruments with characteristics of equity	Net asset value	n.a.	n.a.
Financial instruments with characteristics of debt	Present-value model	Interest rate, credit spread	–
Mortgages and loans			
Recognised at amortised cost (AC)	Present-value model	Swap curve, individual spread	–

Determining the fair value of assets and liabilities 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 by 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 instruments with characteristics of equity classed as FVOCI or FVPL and classified as level 3 are primarily private-equity investments and alternative investments held by Baloise as well as non-controlling interests in real estate companies. The fair value of such investments is usually determined by fund managers (external providers) based on net asset value (NAV). These external providers generally use non-public information to calculate the individual investments' NAV.

Financial instruments with characteristics of debt 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

30.06.2023	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 instruments with characteristics of equity	3,467.1	3,467.1	995.4	562.6	1,909.1
Recognised at fair value through OCI (FVOCI)	366.1	366.1	200.9	17.7	147.5
Recognised at fair value through profit or loss (FVPL)	3,101.0	3,101.0	794.5	544.9	1,761.5
Financial instruments with characteristics of debt	29,653.7	29,652.2	26,975.8	2,676.4	–
Recognised at amortised cost (AC)	109.7	108.1	108.1	–	–
Recognised at fair value through OCI (FVOCI)	6,056.3	6,056.3	5,768.3	288.0	–
Recognised at fair value through profit or loss (FVPL)	23,487.8	23,487.8	21,099.4	2,388.4	–
Mortgages and loans	14,550.9	14,422.8	153.1	11,217.2	3,052.5
Recognised at amortised cost (AC)	8,920.8	8,792.7	153.1	8,098.3	541.3
Recognised at fair value through OCI (FVOCI)	569.5	569.5	–	–	569.5
Recognised at fair value through profit or loss (FVPL)	5,060.6	5,060.6	–	3,118.9	1,941.6
Derivative financial instruments	309.6	309.6	0.2	309.3	–
Financial receivables	712.8	713.6	180.7	16.2	516.7
Liabilities measured on a recurring basis for own account and at own risk					
Liabilities arising from financial contracts	8,550.7	8,462.6	44.9	8,373.3	44.3
Recognised at amortised cost (AC)	8,506.3	8,418.2	0.6	8,373.3	44.3
Recognised at fair value through profit or loss (FVPL)	44.4	44.4	44.4	–	–
Derivative financial instruments	101.1	101.1	0.3	100.8	–
Governing debt	2,333.9	2,212.9	2,212.9	–	–
Assets measured on a recurring basis for the account and at the risk of policyholders and third parties	**15,319.3**	**15,319.3**	**13,302.4**	**1,456.1**	**560.8**
Liabilities measured on a recurring basis for the account and at the risk of policyholders and third parties	**11,913.5**	**11,913.5**	**2,303.8**	**655.1**	**8,954.6**

31.12.2022	Total carrying amount	Total fair value	Level 1	Level 2	Level 3
CHF million					
Assets measured on a recurring basis for own account and at own risk					
Financial instruments with characteristics of equity	4,620.2	4,620.2	2,219.5	483.5	1,917.2
Recognised at fair value through OCI (FVOCI)	611.6	611.6	436.9	19.8	154.8
Recognised at fair value through profit or loss (FVPL)	4,008.6	4,008.6	1,782.6	463.7	1,762.4
Financial instruments with characteristics of debt	29,117.5	29,115.2	26,391.5	2,723.8	–
Recognised at amortised cost (AC)	109.1	106.8	106.8	–	–
Recognised at fair value through OCI (FVOCI)	5,482.6	5,482.6	5,184.8	297.8	–
Recognised at fair value through profit or loss (FVPL)	23,525.9	23,525.9	21,099.8	2,426.0	–
Mortgages and loans	14,665.8	14,462.2	–	11,339.4	3,122.8
Recognised at amortised cost (AC)	8,933.5	8,729.9	–	8,119.2	610.7
Recognised at fair value through OCI (FVOCI)	583.4	583.4	–	–	583.4
Recognised at fair value through profit or loss (FVPL)	5,149.0	5,149.0	–	3,220.2	1,928.8
Derivative financial instruments	508.6	508.6	8.7	499.9	–
Financial receivables	600.7	603.0	213.2	10.6	379.2
Liabilities measured on a recurring basis for own account and at own risk					
Liabilities arising from financial contracts	8,236.0	7,850.9	44.6	7,765.6	40.8
Recognised at amortised cost (AC)	7,983.3	7,598.2	0.3	7,557.1	40.8
Recognised at fair value through profit or loss (FVPL)	252.7	252.7	44.3	208.5	–
Derivative financial instruments	135.8	135.8	0.9	134.9	–
Governing debt	2,583.8	2,397.1	2,397.1	–	–
Assets measured on a recurring basis for the account and at the risk of policyholders and third parties	**14,104.2**	**14,104.2**	**13,080.1**	**505.6**	**518.6**
Liabilities measured on a recurring basis for the account and at the risk of policyholders and third parties	**11,603.7**	**11,603.7**	**2,285.7**	**619.9**	**8,698.1**

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		Mortgages and loans		Total investments measured at fair value
2023	FVOCI	FVPL	FVOCI	FVPL	
CHF million					
Balance as at 1 January	**154.8**	**1,762.4**	**583.4**	**1,928.8**	**4,429.4**
Additions	5.5	33.7	13.8	54.5	107.5
Additions arising from change in the scope of consolidation	–	–	–	–	–
Disposals	– 1.1	– 51.3	– 23.7	– 33.1	– 109.1
Disposals arising from change in the scope of consolidation	–	–	–	–	–
Reclassified to level 3	–	17.0	–	–	17.0
Reclassified from level 3	–	–	–	–	–
Reclassification to non-current assets classified as held for sale	–	–	–	–	–
Changes in fair value recognised in profit or loss	–	32.9	– 3.0	8.2	38.0
Changes in fair value not recognised in profit or loss	– 10.3	–	5.2	–	– 5.1
Exchange differences	– 1.5	– 33.2	– 6.2	– 16.8	– 57.6
Balance as at 30 June	**147.5**	**1,761.5**	**569.5**	**1,941.6**	**4,420.2**
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	**–**	**3.2**	**–**	**8.0**	**11.1**

	Financial instruments with characteristics of equity		Mortgages and loans		Total investments measured at fair value
2022	FVOCI	FVPL	FVOCI	FVPL	
CHF million					
Balance as at 1 January	**99.1**	**1,742.2**	**694.9**	**3,200.2**	**5,736.5**
Additions	18.6	166.1	94.5	181.7	460.9
Additions arising from change in the scope of consolidation	–	–	–	–	–
Disposals	– 1.2	– 190.3	– 56.6	– 725.9	– 974.0
Disposals arising from change in the scope of consolidation	–	–	–	–	–
Reclassified to level 3	–	17.3	–	–	17.3
Reclassified from level 3	0.0	–	–	–	0.0
Reclassification to non-current assets classified as held for sale	–	–	–	–	–
Changes in fair value recognised in profit or loss	–	61.6	– 6.2	– 621.8	– 566.4
Changes in fair value not recognised in profit or loss	43.6	–	– 111.0	–	– 67.4
Exchange differences	– 5.3	– 34.5	– 32.2	– 105.5	– 177.4
Balance as at 31 December	**154.8**	**1,762.4**	**583.4**	**1,928.8**	**4,429.4**
Changes in fair value of financial instruments held at the balance sheet date and recognised in profit or loss	**–**	**– 30.8**	**–**	**– 592.2**	**– 623.0**

Reclassification of assets and liabilities between level 1 and level 2

Assets and liabilities measured at fair value are generally reclassified from level 1 to level 2 if there is no longer deemed to be an active market for these instruments owing to their low daily trading volumes or lack of liquidity or if the instruments concerned have been de-listed. Financial instruments are reclassified from level 2 to level 1 for the exact opposite reasons.

No significant amounts of assets or liabilities measured at fair value were reclassified from level 1 to level 2 or vice versa during the reporting period.

Reclassification of assets and liabilities to and from level 3

In the reporting period, a small number of financial assets were reclassified due to changed market activity and new knowledge concerning the composition of investments.

Share capital

2023	Number of treasury shares	Number of shares in circulation	Number of shares issued	Share capital (CHF million)
Balance as at 1 January	**545,636**	**45,254,364**	**45,800,000**	**4.6**
Purchase / sale of treasury shares	–26,236	26,236	–	–
Capital increases	–	–	–	–
Share buy-back and cancellation	–	–	–	–
Balance as at 30 June	**519,400**	**45,280,600**	**45,800,000**	**4.6**

2022	Number of treasury shares	Number of shares in circulation	Number of shares issued	Share capital (CHF million)
Balance as at 1 January	**648,730**	**45,151,270**	**45,800,000**	**4.6**
Purchase / sale of treasury shares	–103,094	103,094	–	–
Capital increases	–	–	–	–
Share buy-back and cancellation	–	–	–	–
Balance as at 31 December	**545,636**	**45,254,364**	**45,800,000**	**4.6**

As at 30 June 2023, the share capital of Baloise Holding Ltd totals CHF 4.6 million and is divided into 45,800,000 registered, fully paid-up registered 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 recorded in the commercial register. The Baloise Group buys and sells its own shares for employee share ownership programmes.

The Annual General Meeting held on 28 April 2023 voted in favour of a total dividend distribution of CHF 338.9 million for the 2022 financial year. This amounts to a gross dividend of CHF 7.40 per share. Excluding the treasury shares held by Baloise Holding Ltd at the time that the dividend was paid, the total distribution effectively amounted to CHF 335.3 million.

Earnings per share

	1st half 2023	1st half 2022
Profit for the period attributable to shareholders (CHF million)	205.7	214.7
Average number of shares outstanding	45,269,884	45,173,941
Basic earnings per share (CHF)	**4.54**	**4.75**

	1st half 2023	1st half 2022
Profit for the period attributable to shareholders (CHF million)	**205.7**	**214.7**
Average number of shares outstanding	45,269,884	45,173,941
Adjustment due to theoretical exercise of share-based payment plans	20,426	40,563
Adjusted average number of shares outstanding	**45,290,310**	**45,214,504**
Diluted earnings per share (CHF)	**4.54**	**4.75**

The dilution of earnings was attributable to the Performance Share Units (PSU) share-based payment plan both for the reporting period and for the prior-year period.

Insurance contract liabilities

The insurance contract assets and liabilities consist of the following:

	Insurance contract assets		Insurance contract liabilities	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
CHF million				
Non-life contracts excluding DAC				
Liability for remaining coverage (LRC)	2.1	0.4	1,219.2	1,061.9
Liability for remaining coverage excluding loss component	2.1	0.4	1,187.9	995.8
Loss component (LC)	–	–	31.3	66.1
Liability for incurred claims	56.3	42.6	5,101.2	5,086.4
Present value of future cash flows (PVFCF)	56.1	42.2	4,921.6	4,905.6
Risk adjustment (RA)	0.2	0.4	179.6	180.8
Total non-life excluding DAC	**58.4**	**43.0**	**6,320.4**	**6,148.4**
Life contracts excluding DAC				
Present value of future cash flows (PVFCF)	–	–	38,415.8	38,072.1
Risk adjustment (RA)	–	–	177.6	181.5
Contractual service margin (CSM)	–	–	5,108.1	5,391.8
Total life excluding DAC	**–**	**–**	**43,701.5**	**43,645.4**
Deferred acquisition costs (DAC)	–	–	– 34.0	– 40.4
Total insurance contract assets and liabilities	**58.4**	**43.0**	**49,987.8**	**49,753.3**

Insurance revenue

CHF million	1st half 2023	1st half 2022
Insurance revenue from life insurance contracts		
Expected incurred claims and other expected insurance service expenses	627.8	620.2
Release risk adjustment for non-financial risk	5.4	–4.5
Release CSM	138.0	154.5
Other	–133.3	–107.8
Change in liabilities for remaining coverage	**637.8**	**662.3**
Recovery of insurance acquisition cash flows	77.3	50.4
Insurance revenue from life insurance contracts	**715.1**	**712.7**
Insurance revenue from non-life insurance contracts	1,980.2	1,963.4
Total insurance revenue	**2,695.3**	**2,676.1**

Definition of an insurance contract

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

The Baloise Group assesses the significance of insurance risk based on the volume of additional payments that will have to be made by the insurer if the insured event occurs.

Contracts that include no significant insurance risk are generally investment contracts. If these investment contracts contain a discretionary participation feature (DPF), the Baloise Group treats them as within the scope of IFRS 17 and its recognition and measurement principles. They are referred to as insurance contracts below.

A financial instrument that provides a particular investor with the contractual right to receive, as a supplement to an amount not subject to the discretion of the issuer, additional amounts,

- that are expected to be a significant portion of the total contractual benefits,
- the timing or amount of which are contractually at the discretion of the issuer, and that are contractually based on
  - the returns on a specified pool of contracts or a specified type of contract,
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer, or
  - the profit or loss of the entity or fund that issues the contract.

Some insurance contracts contain combined cover for multiple insurance risks. The Baloise Group treats this type of multi-coverage in line with its internal management structures. In life insurance, main insurance policies and their policy riders (supplementary insurance) are usually treated as one contract and are assigned to a group of insurance contracts and measured as described below. In non-life insurance, policies offering individual cover are generally treated as independent contracts and are assigned to the portfolios described later on.

Separating components from an insurance contract

Under IFRS 17, certain components may need to be separated from the insurance contracts as defined above.

Embedded derivatives

The Baloise Group identifies any embedded derivatives that are included in insurance contracts in accordance with the relevant guidance in IFRS 9 and, on the basis of those principles, determines whether an embedded derivative needs to be separated. If this is the case, all cash flows related to the embedded derivative are separated from the host contract and then measured and presented as a distinct financial instrument.

Embedded derivatives that do satisfy the definition of an insurance contract, such as certain guarantees for annuity conversion rates, are not separated.

Distinct investment components

An investment component of an insurance contract comprises all payments that will have to be made to the policyholder in all circumstances, regardless of whether an insured event has occurred. An investment component is distinct if it is not highly interrelated with the rest of the insurance contract and is – or could be – available as a stand-alone product in the same market as the insurance contract. Investment components are deemed to be highly interrelated with their host contract if they cannot be terminated independently of the host contract.

Distinct investment components must be separated and measured independently in the same way as embedded derivatives but they may be within the scope of IFRS 17, for example as an investment contract with DPFs.

Like any other payment, non-distinct investment components are measured as a component of the insurance contract. However, they are treated separately for the purposes of recognising income and expense from insurance contracts, as explained in more detail below in connection with recognition topics.

Guaranteed minimum cash surrender values in life insurance, which are not distinct and therefore part of the insurance contract, are the most important example of investment components in insurance contracts in the Baloise Group.

Distinct non-insurance services

The Baloise Group identifies non-insurance services embedded in insurance contracts in accordance with IFRS 15 Revenue from Contracts with Customers. These non-insurance services are considered distinct if the policyholder can benefit from the services directly.

Cash flows from distinct non-insurance services are separated and measured in accordance with IFRS 15.

Measurement unit for insurance contracts

All of the following references to insurance contracts relate to contracts identified as described above, after the removal of any components that have to be separated.

The measurement unit for insurance contracts is the group of insurance contracts (GIC) that is formed in a multi-step process. The process starts with portfolios of insurance contracts (PICs). These consist of contracts that have similar risks and are managed together. When a contract is issued, it is assigned to a PIC and then allocated to one of the three groups that make up every portfolio:

- Group containing all contracts that, upon initial recognition, Baloise assumes are onerous within the meaning of IFRS 17 (see explanation below),
- Group containing all contracts that are not onerous and, upon initial recognition, have no significant probability of becoming onerous subsequently, and
- Group containing all other contracts.

The Baloise Group applies various qualitative and quantitative factors to assess the risk that a contract will become onerous subsequently.

In the final step, these profitability groups are divided up on the basis of calendar year to form the GICs. Each contract remains in the GIC to which it was originally assigned until derecognition. New contracts recognised during a calendar year are added to the GICs on an ongoing basis.

These criteria for grouping contracts apply both to contracts in which the Baloise Group takes on risk and to reinsurance contracts held.

The Baloise Group recognises GICs for the first time at the earliest of the following three points in time:

- The beginning of the coverage period
- The date on which payment of the first premium becomes due or, in the case of contracts that do not have an explicit premium due date, the date on which the premium is received
- The date on which the GIC becomes onerous

New contracts are assigned to a GIC on an ongoing basis as soon as they satisfy one of these conditions formulated for the GICs. The Baloise Group has defined line of business-specific profitability criteria in order to determine the need for a separate test for the third criterion for GICs before the first two criteria have been satisfied.

Measurement and recognition of insurance contracts in accordance with the general measurement model (GMM)
The standard method for measuring liabilities or assets arising from insurance contracts is the general measurement model (GMM), which is described in this section by referring to the individual components:

- Estimates of future cash flows, taking account of options and guarantees
- Adjustment to reflect the time value of money and financial risk (discounting)
- Risk adjustment for non-financial risk
- Contractual service margin (CSM) representing the unearned profit that will be recognised on the agreed services

The sum of the first three components is also referred to as fulfilment cash flows (FCFs). For these components, the methods used for measurement on initial recognition and for subsequent measurement are identical.

Under IFRS 17, the GMM is modified in the case of contracts with certain characteristics and reinsurance contracts held. This is optional in some cases and mandatory in others. The characteristics of these modifications and their application in the Baloise Group are presented in the line of business-specific sections.

Regardless of the measurement method, IFRS 17 requires the part of the reserve recognised for claims already incurred (liability for incurred claims, LIC) to be separated from the part of the reserve recognised for remaining coverage (liability for remaining coverage, LRC).

The following section sets out the recognition rules for the statement of comprehensive income.

Cash flows
The starting point for the measurement of insurance contracts is a current estimate of all future fulfilment cash flows paid or received by the Baloise Group that arise within the contract boundary. The contract boundary is the earliest date on which the policyholder is no longer obliged to pay premiums and the Baloise Group can, on the basis of a new risk assessment, adjust the contract premiums or adjust the level of benefits without changing the level of premiums. All cash flows relating to premiums or claims outside the contract boundary are deemed to relate to a future contract under IFRS 17.

The expected value of all cash flows required to fulfil the insurance contract is estimated, taking account of options and guarantees. The estimate is updated as at each balance sheet date. No adjustments (increases or decreases) to compensate for uncertainties in the cash flows or their discounting are made as they are explicitly taken into account as explained below. Insurance acquisition cash flows are included in projections if they can be directly allocated to individual portfolios of contracts; administrative expenses are included if they can be directly allocated to individual GICs.

Insurance acquisition cash flows are often paid before initial recognition of the contract. The resulting deferrals are described in detail in the section on non-life insurance.

If the contracts in a GIC affect the cash flows of another GIC, these mutual effects are taken into account (known as mutualisation). Furthermore, all payments relating to non-distinct investment components are included in the projections just like all other cash flows. Incoming payments and outgoing payments that occur before or after the contractually stipulated due date are deferred or accrued, as appropriate, within the insurance contract liability.

Discounting

All future cash flows generally have to be discounted at current discount rates. This ensures that the time value of money and – where relevant – financial risks that affect the amount and timing of cash flows are taken into account in the measurement.

The Baloise Group discounts the cash flows from insurance contracts using discount rates that match the nominal currency and maturity of the cash flows and take account of the liquidity of the obligations. Where possible, the Baloise Group draws on discounting assumptions observable in liquid markets. If cash flows are expected at times for which no such discount rates are observable, the Baloise Group interpolates or extrapolates the observable discount rates using the Smith-Wilson method.

Financial risks predominantly affect cash flows in life insurance, in particular where benefits paid to the beneficiaries are directly or indirectly derived from the value or performance of financial assets. The Baloise Group takes account of these risks in discounting by taking a consistent, risk-neutral approach when selecting the expected returns that affect the cash flows and when selecting the discount rates for the discounting of these cash flows.

All of the aforementioned discounting principles apply both to insurance contracts issued by the Baloise Group and to reinsurance contracts held.

Cash flows without financial risks are generally discounted without taking account of credit risk, as measurement of the insurance contracts is based on the assumption that all obligations are fulfilled. The Baloise Group therefore uses the following discount rates:

				CHF
	30.06.23	**31.12.22**	**30.06.22**	**31.12.21**
weighted average in %				
1 year	2.15	1.97	1.05	0.20
5 years	2.02	2.31	1.75	0.65
10 years	1.97	2.54	2.26	0.97
15 years	2.02	2.63	2.48	1.11
20 years	2.10	2.69	2.59	1.32

				EUR
	30.06.23	**31.12.22**	**30.06.22**	**31.12.21**
weighted average in %				
1 year	3.98	3.36	1.34	0.23
5 years	3.16	3.20	2.21	0.59
10 years	2.95	3.18	2.58	0.86
15 years	2.95	3.18	2.80	1.08
20 years	2.86	3.04	2.77	1.16

	USD			
	30.06.23	31.12.22	30.06.22	31.12.21
weighted average in %				
1 year	5.54	5.09	3.51	0.99
5 years	4.11	3.93	3.29	1.71
10 years	3.75	3.74	3.30	1.91
15 years	3.68	3.72	3.38	2.02
20 years	3.61	3.65	3.36	2.07

Risk adjustment for non-financial risk

Cash flows from insurance contracts are also subject to uncertainty about their amount and timing for non-financial reasons. For example, claims settlement, mortality trends or policyholder behaviour may not be as expected. These risks are taken into account using a risk adjustment for non-financial risk (risk adjustment), i.e. an explicit increase in the present value of the expected cash flows.

The Baloise Group determines the consolidated risk adjustment using the value at risk with a confidence level of 75 per cent and at the level of the strategic business unit, taking all relevant diversification effects into account. Details of the relevant calculation methods and the approaches taken to systematically allocate the risk adjustment to the individual GICs are provided in the division-specific chapters.

Contractual service margin (CSM) and loss component (LC) – initial measurement

At initial recognition of a GIC, the Baloise Group assesses the expected cash flows over the entire term of all contracts in the GIC on a risk-adjusted and discounted basis, taking account of the following:

- all estimated future cash flows,
- all cash flows at the time of initial recognition, and
- release of all deferrals for payments made before initial recognition, including any insurance acquisition cash flow payments due.

If the fulfilment cash flows give rise to a net inflow, an additional reserve component is recognised within the LRC, the contractual service margin (CSM). The CSM is initially recognised as the profit, calculated on the basis of IFRS 17, that the Baloise Group expects to earn as a result of providing cover and other services under the contracts within the GIC.

However, if this gives rise to a net outflow, this amount is shown within the LRC and is updated separately as a loss component (LC).

This generally means that contracts that are expected to have net inflows on the basis of IFRS 17 (also referred to below as profitable contracts) are initially recognised with no impact on the income statement. For GICs containing contracts that are expected to have net outflows (referred to below as onerous GICs), an expense arises upon initial recognition in the amount of the expected net losses.

Contractual service margin – subsequent measurement

If further contracts are added to a GIC after initial recognition, the net inflow from these contracts expected at that time – whether positive or negative – is taken into account in the GIC's CSM. Furthermore, if a GIC contains contracts that are denominated in a currency other than the functional currency of the strategic business unit, the GIC's CSM is adjusted for the effects of changes in exchange rates.

In addition, the expected net profits accrued in the CSM at the time of initial recognition are essentially adjusted in three stages in each period:

- Accretion of interest on the opening balance for the period
- Netting of certain changes to the fulfilment cash flows expected for future periods
- Pro rata release to profit or loss of any remaining positive CSM amount

Interest is accreted at the rate that was used to discount cash flows without financial risk at the time of initial recognition of the contracts in the GIC. As the contracts may be recognised in the GIC at different times, this interest is calculated as a weighted average for all of the contracts in the GIC.

Any changes to the fulfilment cash flows for coverage to be provided after the end of the period and other services are also measured on the basis of this average interest where such changes arise due to the updating of non-financial assumptions (e.g. mortality assumptions).

In the event of a net reduction in this measurement of the fulfilment cash flows on the basis of the aforementioned average interest, any existing CSM of the GIC is increased by the resulting additional margin in the contracts.

In the event of an increase in this measurement of the fulfilment cash flows, any existing CSM of the GIC is reduced by the resulting loss of a margin in the contracts. This adjustment must not result in a negative CSM. Therefore, if the adjustment to be made exceeds the existing CSM, the amount representing this excess increases the entire LRC and is recognised in profit or loss immediately. This amount is disclosed separately as a loss component and is updated separately going forward.

If a loss component was recognised for a GIC in prior periods, any change in the measurement of the fulfilment cash flows on the basis of the average interest is offset against the loss component in profit or loss. As is also the case for the CSM, a loss component cannot be negative. Any excess amount resulting from the changed measurement is recognised in the CSM and is therefore not recognised in profit or loss. Every GIC therefore has either a CSM or a loss component.

Furthermore, the CSM is adjusted to reflect the following experience deviations, i.e. differences between the amounts expected for a particular period and the amounts of the actual payments:

- All experience adjustments for non-distinct investment components
- For premiums: the share of the experience adjustment that relates to future cover or other services

In the last step, the Baloise Group determines the proportion of any remaining positive CSM amount that relates to the performance of services under the insurance contract in the current period. The number of coverage units – a measure for all services to be provided – for each contract in a GIC is determined for the period and for all remaining periods in which services are still to be provided. The release of the CSM for the period is then carried out on the basis of the number of coverage units for all contracts in the GIC for the current period relative to the total coverage units at the end of the period.

The coverage units are identified on a product-specific basis.

Loss component – subsequent measurement

A loss component is a component of the liability for remaining coverage (LRC), irrespective of whether it has to be recognised at the time of initial recognition of a GIC or whether it arises while coverage is being provided owing to the aforementioned adjustments. It is essentially changed by the same influences that, in the case of profitable GICs, adjust the amount of the CSM; in particular, the Baloise Group releases a loss component amount in the same way as it does for the CSM on the basis of coverage units until coverage is no longer provided. In contrast to the CSM, however, all changes to the loss component are recognised in profit or loss:

- All changes within the loss component are part of the insurance service expenses.
- In addition, each amortisation of the loss component on the basis of coverage units is netted with the insurance revenue for the period. In line with IFRS 15, the Baloise Group thus ensures that the insurance revenue does not exceed the premiums collected over the term of the GIC.

Insurance acquisition cash flows for future renewals
If insurance acquisition cash flows are economically attributable not to the new contract but to the expected renewal of this contract, Baloise allocates the share of the cash flows for such future renewals systematically and taking account of the expected number of renewals within the LRC of the related PIC. The Baloise Group regularly reviews the recoverability of the insurance acquisition cash flows allocated in this way, taking account of the expected renewals and their profitability. Impairment losses are recognised immediately in profit or loss for any unrecoverable amounts and, along with any subsequent reversals of impairment losses, are shown under insurance service expenses.

This allocation is not dependent on the measurement model. However, insurance acquisition cash flows for future renewals currently arise predominantly in connection with short-term contracts in the non-life business.

Derecognition and modification of insurance contracts
The Baloise Group derecognises an insurance contract when:

- all obligations under the contract are extinguished or discharged; or
- modification of the insurance contract would have resulted in it being classified differently, assigned to a different GIC or given a materially different contract boundary, or would have resulted in other contract components being separated. In this case, the Baloise Group recognises the modified contract as a new contract.

This modification of a contract represents an amendment to the contract terms, either by way of agreement between the parties or due to changes to the legal basis. The policyholder's exercise of an option provided in the contract does not constitute a modification.

For contracts derecognised from a GIC, the Baloise Group identifies all fulfilment cash flows and, where relevant, the related coverage units. The measurement of the GIC is then adjusted by reducing the fulfilment cash flows and by adjusting the CSM for those cash flows that – depending on the measurement method – would lead to an adjustment of the CSM.

If the reason for derecognition was the sale of the contracts to a third party or one of the types of modification mentioned above, the Baloise Group adjusts the CSM for the contracts being derecognised as follows:

- For contracts transferred to a third party, the CSM adjustment equates to the difference between the change in the fulfilment cash flows that is offset against the CSM and the amount that the third party charges as the premium for taking over the obligations from Baloise.
- For modified contracts, the CSM adjustment is calculated as the difference between the changes in the fulfilment cash flows affecting the CSM and the premium that the Baloise Group would charge if it had entered into the modified contract directly on the date of the modification. The premium determined in this way is also used to determine the CSM of the modified contract.

Recognition of insurance contracts in accordance with the general measurement model (GMM) in comprehensive income
Comprehensive income for insurance contracts is broken down into three disclosure groups:

- Insurance revenue
- Insurance service expenses, referred to in combination with insurance revenue as the insurance service result
- Insurance finance income or expenses (IFIE)

The presentation of all the components in comprehensive income is described below. All items recognised within the insurance service result are recognised exclusively in profit or loss.

Insurance revenue
The insurance revenue for a period generally comprises the following items:
A. The consideration expected at the beginning of the period for the provision of services for new claims incurred in the period and expected payments for all other services under the contract (excluding insurance acquisition cash flows that can be allocated), netted (where applicable) with the release of the loss component on the basis of the coverage units,
B. release of the CSM to profit or loss on the basis of the coverage units,
C. release of the part of the risk adjustment that was recognised for uncertainty relating to the current period,
D. the share of experience adjustments for premiums relating to the coverage provided in the current period and to other services, and
E. a share for amortisation of the insurance acquisition cash flows that can be allocated directly.

The Baloise Group systematically calculates shares of these amounts that are attributable to any loss component and presents them as part of the insurance service expenses.

Furthermore, the amounts in bullet point A. are reduced by the amount of actual non-distinct investment components. Baloise determines the recognition of revenue for insurance acquisition cash flows per period pursuant to bullet point E. for a group of insurance contracts, starting with the actual cash flows on the basis of the coverage units.

Insurance service expenses
The insurance service expenses for a period comprise the following items:
F. The actual payments for new claims incurred in the period and actual payments for all other services under the contract (including contract management costs, but excluding insurance acquisition cash flows that can be allocated),
G. a share for amortisation of the insurance acquisition cash flows that can be allocated directly (equates to the value in bullet point E. for insurance revenue),
H. changes to the risk-adjusted present value of expected payments for claims that have already been incurred (excluding effects attributable to market effects), and
I. changes to any loss components, including financial effects.

The amounts in bullet point F. are, where applicable, reduced by precisely the same expected value for non-distinct investment components paid as the values pursuant to bullet point A. for insurance revenue. Differences between actual and expected payments of non-distinct investment components are offset against the CSM or loss component, taking account of the time value of money.

Insurance finance income or expenses
Insurance finance income or expenses constitute the total of all changes in the measurement of insurance and reinsurance contracts that are due to financial effects. This comprises the reduction in the period of discounting (unwinding the discount) and the effects of interest-rate changes and other market effects that have a direct impact on the cash flows.

For contracts for which market parameters indirectly affect benefits that are at the discretion of Baloise Group, Baloise Group specifies at initial recognition and in a systematic way which changes in fulfilment cash flows relate to financial risk.

For each PIC, there is an option in respect of the insurance finance income or expenses to either recognise the total amount in profit or loss or to disaggregate it into a share recognised in profit or loss and a share recognised in other comprehensive income. The option is used for the PICs measured using the GMM, for the liability for incurred claims, and for the traditional life insurance business in Germany and Switzerland, which is measured using the variable fee approach (VFA). Where applicable, the disaggregation method is discussed separately for the life insurance portfolios and the non-life insurance portfolios.

Non-life insurance contracts and the premium allocation approach

Generally, all standardised non-life products contain sufficient insurance risk to be classified as insurance contracts under IFRS 17. The Baloise Group has created the following portfolios for this business:

- Motor – third-party liability
- Motor – comprehensive
- General liability – personal
- General liability – commercial
- Accident (compulsory accident insurance)
- Accident – other
- Health
- Property – personal
- Property – commercial
- Marine
- Other

Premium allocation approach (PAA) - scope of the PAA

IFRS 17 gives entities the option to simplify the measurement of the liability for remaining coverage (LRC) for certain contracts. This simplification, also known as the premium allocation approach (PAA), can generally be used for all GICs in which all contracts – taking account of the contract boundary pursuant to IFRS 17 – have a coverage period of one year or less. A contract's coverage period is the period during which the contract guarantees insurance cover and other services. This criterion is satisfied for most of the non-life business, either because the contracts have a one-year term or because the contract boundary of the contracts that, in legal terms, are multi-year contracts, is one year. This is usually the case when the Baloise Group has a right to adjust the premiums at the end of each year.

The PAA may also be used for all GICs where the PAA would produce a measurement of the LRC that would not be materially different to the measurement under the general measurement model (GMM).

The Baloise Group uses the PAA for all non-life contracts that satisfy at least one of the aforementioned criteria.

If, as a result of a portfolio transfer or the acquisition of a company, the Baloise Group takes on obligations relating to claims already incurred, the cover provided consists of settlement of the claims, which means that the coverage period for these claims equates to the expected remaining settlement period.

Impact of the premium allocation approach

The PAA has no fundamental impact on the classification, initial recognition, and derecognition of contracts or on the separation of components and embedded derivatives. In the Baloise Group, the measurement of claims incurred is also completely identical for PAA contracts.

However, the measurement of the liability for remaining coverage (LRC) does differ materially. Starting with the premiums received and upon initial recognition of a GIC, the LRC is measured as

- any premiums received at the time of initial recognition, minus
- any insurance acquisition cash flows paid before the time of initial recognition, plus
- any adjustment of the liability based on the test, described below, for ascertaining whether contracts are onerous.

Under the PAA, the LRC is subsequently measured as:
- the amount of the LRC at the beginning of the period, plus
- any premiums received in the period, minus
- any insurance acquisition cash flows paid in the period, minus
- the share of the deferred premiums that were recognised in the period as insurance revenue, plus
- the share, recognised in insurance service expenses, of the period for insurance acquisition cash flows, plus
- the interest adjustment for any financing component in the LRC, plus or minus
- the change in any adjustment of the liability on the basis of the onerous contract test.

All changes to a loss component are recognised immediately, and exclusively, in insurance service expenses.

Onerous contract test (OCT)
The Baloise Group has defined certain indicators that determine when a GIC measured using the PAA must be checked to test whether it is onerous. To this end, the Baloise Group compares the part of the LRC that is based only on deferrals of premiums paid and insurance acquisition cash flows paid with the GIC's fulfilment cash flows that are expected for the coverage still to be provided. If the expected net payments calculated in this way are higher than the LRC, the deferral of insurance acquisition cash flows is released to profit or loss and then, if necessary, the LRC is increased by a loss component in the amount of any remaining difference, such increase being recognised in profit or loss. Contracts in respect of which a loss component has to be recognised at the time of initial recognition are assigned to a GIC for onerous contracts.

Measurement of the liability for incurred claims
The liability for incurred claims (LIC) is recognised for all claims that were incurred up to the measurement date, irrespective of whether they have been reported or not. The liability is calculated as the risk-adjusted present value of the best estimate of the outstanding claim payments and claim settlement costs. A CSM is never recognised for the LIC because expected profits are accrued only for the remaining coverage.

Payment estimates
To calculate the expected nominal values of the payments as realistically as possible, the Baloise Group uses the claims history of recent years, generally accepted mathematical-statistical methods and all the information available to it at the time, especially the knowledge of the experts entrusted with the handling of claims.

The expected claim payments consist of three components. The basis is formed by the reserves calculated using actuarial methods. The second component comprises reserves for those complex special cases and events that are not subject to purely statistical evaluation. These are generally rare claims that are fairly atypical of the sector concerned and are usually large claims whose costs have to be estimated by experts on a case-by-case basis. The third component consists of payments for annuities that are projected using actuarial principles, such as assumptions about mortality, and are largely derived from claims in the motor, liability and accident insurance portfolios. To supplement the various internal control mechanisms, the Baloise Group has the reserves – and the methods used to calculate them – reviewed regularly by external specialists.

Discounting
The Baloise Group discounts the liability for incurred claims using discount rates that are consistent with the currency and maturity of the expected claims, reflecting the fact that nominal values are estimated for the cash flows. The Baloise Group uses the discount rates shown in in the tables above.

For the entire non-life business, the Baloise Group disaggregates the total change in the liability for incurred claims resulting from discounting effects into a share recognised in profit or loss and a share recognised in other comprehensive income. The share of the financial effects recognised in profit or loss is determined – as per recognition at amortised cost – on the basis of the discount rates applicable at the time that the claim is incurred.

Risk adjustment for the liability for incurred claims

The settlement of obligations relating to claims incurred is subject to uncertainty regarding the amount and timing of the payments to be made. This uncertainty is of a non-financial nature, so the Baloise Group recognises a risk adjustment as an additional component of the measurement of the LIC. It calculates the amount of the risk adjustment by referring to the historical volatility of claim estimates in its portfolios and, where necessary due to the non-availability of data, by referring to data for comparable portfolios. The amount of the risk adjustment for the liability for incurred claims corresponds to the consolidated risk adjustment with a 75 per cent confidence level.

The risk adjustment is updated for each contract entered into. Changes to the risk adjustment for claims incurred are generally recognised in profit or loss. For those GICs for which the Baloise Group disaggregates the entire change resulting from interest effects between profit or loss and other comprehensive income, the effect of changes in interest rates on the measurement of the risk adjustment is also shown in other comprehensive income.

Non-life contracts measured using the GMM

Contracts for non-life insurance are measured using the GMM if they do not satisfy the criteria for the PAA. For these contracts, the Baloise Group uses the GMM rules (described above), including the definition of the coverage units.

Transition for non-life insurance contracts

For first-time adoption, the Baloise Group used the full retrospective approach to measure virtually all non-life insurance contracts, i.e. measurement at the transition date was based entirely on historical application of IFRS 17 since acquisition of the contracts. This affects not only business entered into by the Baloise Group itself but also all portfolios acquired as a result of acquisitions (business combinations) or portfolio transfers from the date of transfer.

Life insurance contracts

For its life insurance business, the Baloise Group forms the following portfolios as the basis for determining the groups of insurance contracts (GICs):

- Endowment life insurance and pure whole-life insurance
- Annuities
- Disability insurance
- Unit-linked contracts
- Hybrid products, i.e. products that have both features of unit-linked insurance and features of traditional endowment insurance
- Investment contracts with DPF
- General group insurance
- Swiss group insurance for semi-autonomous funds
- Swiss group insurance purely with risk coverage
- Other life business

For the measurement of all life insurance contracts, the following aspects are significant in addition to the GMM-based standard approach described above.

Cash flows and underlying items

In many life insurance contracts, the level of the policyholder benefits depends on the performance of certain underlying items, such as the surpluses of a particular portfolio or legal entity or the returns on clearly defined investments. A material portion of these payments is often granted in the form of participation features, and the Baloise Group has some degree of discretion in deciding when and in what amount payments are made. Depending on how the product is structured, such benefits may be combined with guaranteed benefits.

The projection of all cash flows for life insurance contracts takes all relevant influencing factors into account including, but not limited to, mortality, invalidity rates, policyholder behaviour, changes in costs and the possible courses of action open to senior management in certain scenarios. The Baloise Group determines these assumptions on the basis of its own statistics, supplemented in some cases by industry-specific or other external information and trends (e.g. mortality improvements, inflation). The Baloise Group uses stochastic models for assumptions without symmetrical distribution around their expected value and for cash flows that do not respond to changes in variables in a non-linear fashion.

Discounting of payments
The assumptions for projecting the performance of investments that affect insurance contract payments are consistent with the discount rates that are used to discount these payments and that thus take account of the financial risk in these payments. To this end, the Baloise Group uses a risk-neutral approach that also includes the measurement of options and guarantees.

Risk adjustment
For all life insurance contracts, the risk adjustment is applied as an increase to the cash flows that have been discounted on a risk-neutral basis. To do so, the Baloise Group determines – at the level of the strategic business unit – the most probable combination of all simultaneous movements in all non-financial parameters, such as mortality, policyholder behaviour and future costs, that correspond to a value at risk with a confidence level of 75 per cent. Using this combination of parameter movements, the risk adjustment is determined for each GIC as the difference between the discounted cash flows with the expected assumptions and the discounted cash flows with the adjusted assumptions.

Coverage units
The Baloise Group determines the coverage units for all life insurance contracts using a consistent approach: For each GIC, the future benefits for the granting of insurance cover, guaranteed investment returns and other investment services are measured and weighted using suitable metrics. In this process, the Baloise Group takes account of both guaranteed benefits and benefits arising from expected participation features. The present value of these benefits forms the coverage unit at each measurement date. To calculate the present value, the same assumptions as for determination of the fulfilment cash flows are used. However, for GICs measured using the GMM, the discount rates applicable at the time of initial recognition of the GIC are used to ensure consistency in the measurement of the CSM.

Recognition of insurance finance income or expenses
For life insurance contracts measured using the general measurement model, there is also an option for each portfolio to disaggregate the total change in the liability for insurance contracts resulting from financial effects into a share recognised in profit or loss and a share recognised in other comprehensive income.

For those PICs in life insurance that the Baloise Group measures using the general measurement model and for which it exercises the option, the share of the insurance finance income or expenses to be recognised in profit or loss is dependent on how the payments to policyholders are determined. Typically, the payments to policyholders are determined on the basis of expected crediting rates and, in these cases, the Baloise Group applies the actual amounts credited and the amounts expected to be credited in future. The share recognised in profit or loss is based on the internal interest rate method only in exceptional cases.

Contracts with direct participation features and the variable fee approach (VFA)

Contracts with direct participation features

The Baloise Group classifies insurance contracts that satisfy each of the following three criteria as contracts with direct participation features:

- The contractual terms specify that the policyholders participate in a clearly identified pool of underlying items. For the purposes of this definition, participation does not prevent the entity from exercising discretion regarding the payment of certain amounts, but the policyholders must be able to enforce their right.
- Based on best estimates at the time of initial recognition of the contracts, the Baloise Group expects to pay to the policyholders an amount equal to a substantial share of the fair value returns on the underlying items.
- At the time of initial recognition of the contracts, the Baloise Group expects – based on its best estimates – that a substantial proportion of the total amounts to be paid to the policyholders will vary in line with the change in the fair value.

Generally, investment contracts with DPF satisfy the definition of a contract with direct participation features. Nonetheless, these are different concepts for different aspects of contract classification.

In the Baloise Group, the following contracts within the scope of IFRS 17 are classified as contracts with direct participation features:

- Unit-linked, index-linked, and investment-linked contracts
- Swiss group life business
- Other individual life insurance with participation features in Switzerland
- Traditional German life insurance with participation features

Variable fee approach

For contracts with direct participation features, a modified version of the general measurement method must be used that is also known as the variable fee approach (VFA). In contrast to the premium allocation approach, use of the VFA is mandatory.

Measurement of the risk-adjusted present value of all future payments (fulfilment cash flows) is unaffected and is thus carried out in the same way as for the general measurement model. The modifications to the measurement method therefore only affect the measurement of the contractual service margin:

- The share of changes to the expected payments for future coverage that are attributable to changes in the fair value of the underlying items is not recognised as an adjustment of the CSM but rather is recognised in the same way as the change in the fair value of the underlying items.
- However, all other changes in the fulfilment cash flows for remaining coverage – particularly benefits based on options and guarantees – are generally offset against the CSM, although the CSM is – contrary to the GMM – adjusted on the basis of current market interest rates. The explicit accretion of interest on the CSM is thus not carried out for the variable fee approach.

There are no further differences to the measurement approach under the GMM. For VFA contracts, this particularly includes the following. In the event of an increase in the fulfilment cash flows that are offset against the CSM and exceed the amount of the CSM, a loss component has to be recognised for the GIC. Any subsequent changes to the cash flows are initially offset against this loss component before a CSM can be recognised for the GIC again. A positive CSM amount is released per GIC at the end of the period using suitable coverage units, as described in the section above.

Book yield approach

For contracts with direct participation features, there is also the option to disaggregate the entire change in insurance contract measurement resulting from market effects, recognising a share in profit or loss and a share in other comprehensive income.

Where this option is exercised for contracts that have direct participation features and for which the Baloise Group holds the underlying items that affect their performance, the Baloise Group uses the book yield approach, in which it determines the share recognised in profit or loss of the total change in the insurance contract liability resulting from market influences as precisely the opposite amount of the share recognised in profit or loss of the changes in the fair value of the underlying items resulting from market influences. All other shares of insurance finance income and expenses are recognised in other comprehensive income.

The Baloise Group uses the OCI option only for contracts with direct participation features in Germany and Switzerland.

Transition for life insurance contracts

For the first measurement of life insurance contracts in accordance with IFRS 17, the Baloise Group first identified – separately for each unit that operates life insurance business – the earliest point in time in the past from when all the information was available for all contracts to be able to apply the full retrospective approach from this point in time. For contracts that were initially recognised before this time, the Baloise Group determined the necessary data for periods lying further back in the past on the basis of the modified retrospective approach or the fair value approach.

For the modified retrospective approach, Baloise uses any available assumptions and information that would be applicable to the full retrospective approach. This applies, in particular, to the updating of the CSM and loss component. For parts of portfolios that are measured using the fair value approach, the Baloise Group applies the principles of IFRS 13 Fair Value Measurement to the insurance contracts.

Reinsurance

Reinsurance contracts are insurance contracts between insurance companies and/or reinsurance companies. There must be a transfer of significant insurance risk for a transaction to be recognised as reinsurance; otherwise, the transaction is treated as a financial contract.

Inward reinsurance is any transaction in which the Baloise Group is the risk-taker. It is recognised, measured and presented on the basis of exactly the same rules as for any other risks taken on directly.

Outward reinsurance is the business ceded to insurance companies outside of the Baloise Group and includes transactions ceded from direct life and non-life business and from inward reinsurance. The general recognition and measurement rules in IFRS 17 vary for this type of risk cession in a number of aspects. All references to reinsurance in the rest of this chapter therefore relate solely to outward reinsurance held.

Initial recognition and formation of groups

The timing of the initial recognition of a reinsurance contract varies depending on the type of reinsurance:

Generally, the reinsurance contract is recognised on the date on which its coverage begins, but no later than the date on which an onerous GIC is recognised if the reinsurance contract was not entered into after this date. Furthermore, Baloise recognises reinsurance contracts that provide proportionate coverage no earlier than when the reinsured business is recognised.

In the same way as for gross business, outward reinsurance contracts are divided into groups of insurance contracts (GICs). These are formed independently of the GICs used in business underwritten by the Baloise Group itself.

The netting of gross business and reinsurance business is prohibited.

For measurement purposes, a distinction is made between two types of outward reinsurance. Retroactive reinsurance refers to the subsequent signing of a reinsurance contract for claims already incurred in gross business. The purpose of such cover is, for example, to protect against uncertainty about the remaining settlement of a portfolio of claims already incurred. Prospective reinsurance is when claims not yet incurred in gross business are reinsured.

Measurement of outward reinsurance

Outward reinsurance is generally measured using the same approaches as for gross business. The Baloise Group uses the PAA for all GICs of reinsurance contracts that satisfy the criteria for the PAA. Reinsurance contracts cannot be classified as contracts with direct participation features, which is why the variable fee approach cannot be used.

Cash flows and discounting

The expected cash flows for reinsurance – including reinsurance premiums ceded and the expected reimbursements from the reinsurer – are updated at each measurement date. The Baloise Group determines these expected payments consistently based on expectations for the reinsured business, taking account of the specific contract boundaries for ceded business. In this context, the Baloise Group distinguishes between payments that depend directly on claims in the reinsured business and all other payments.

In addition, the expected payments are adjusted directly for the risk of non-performance by the reinsurer in order to take account of the risk that the Baloise Group does not receive the reimbursement expected from the reinsurer. When recognising the risk of non-performance, the Baloise Group takes account of any collateral provided by the reinsurer. Changes in the measurement of the claims against the reinsurer resulting from changes in the estimate of non-performance risk are not offset against any CSM. Instead, they are recognised directly in profit or loss, under insurance finance income or expenses.

Discount rates are chosen using the same approaches as for gross business, without any adjustment.

Risk adjustment

The Baloise Group determines the risk adjustment for outward reinsurance as a reduction of the risk in gross business resulting from reinsurance. The risk adjustment thus increases the measurement of the claims against the reinsurer. The reduction is determined pro rata on the basis of the risk adjustment for the ceded business in proportion to the reinsurance's share of the risk transfer.

Contractual service margin

Upon initial recognition of groups of reinsurance contracts, the Baloise Group always recognises a CSM in an amount that means that initial measurement results in neither an asset nor a liability. In contrast to gross business, this may result in a CSM both for positive and for negative expected fulfilment cash flows, and a loss component is never recognised.

Subsequent measurement of the CSM of a group of reinsurance contracts is based on the balance brought forward, essentially in the same way as for contracts in gross business that are measured using the GMM. In particular, the Baloise Group also identifies coverage units for groups of reinsurance contracts. These coverage units are used to determine the release of the CSM to profit or loss.

Contrary to the process described above, the Baloise Group recognises expected losses immediately upon initial recognition of retroactive reinsurance contracts. Profits expected at the time of initial recognition must also be accrued in a CSM; for subsequent measurement, the general rules for updating the CSM for reinsurance apply.

The measurement of reinsurance contracts is also adjusted if a loss component has to be recognised for the reinsured business. In this case, the Baloise Group calculates the percentage of the losses in gross business that are covered by reinsurance and, for the reinsurance contracts, recognises a loss recovery component (LORECO) in the amount of the reinsured share of the loss component.

The LORECO increases the measurement of the claim against the reinsurer, and each change to the LORECO is shown as part of the insurance service result for reinsurance.

Reinsurance transition

The measurement of reinsurance claims on the IFRS 17 balance sheet is subject to the same general principles as for gross business.

Interim financial reporting

Baloise Group reverses previous accounting estimates set out in the interim financial reporting in relation to the measurement of contracts in the scope of IFRS 17 for subsequent reporting in the same financial year.

Financial liabilities

On 30 January 2023, Baloise Holding Ltd placed an additional senior green bond issue on behalf of the Baloise Group with a total volume of CHF 175 million and a coupon of 2.20 per cent (maturity period: 2023–2032, ISIN CH1232107180) as part of its funding activities.

In addition, the Baloise Group issued a senior bond of CHF 100 million with a coupon of 2.35 per cent (maturity period: 2023-2033, ISIN CH1256367199) on 2 May 2023 as part of its funding activities.

As at 26 April 2023, a CHF-denominated senior bond with a volume of CHF 225 million and a coupon of 1.75 per cent issued by Baloise Holding Ltd was repaid. Furthermore, as at 19 June 2023, Baloise Life Ltd repaid an open-ended CHF-denominated hybrid bond with a volume of CHF 300 million and a coupon of 1.75 per cent on the first possible call date.

Income taxes

	1st half 2023	1st half 2022
CHF million		
Current income taxes	–42.0	–32.9
Deferred taxes	–7.1	–40.0
Total income taxes	**–49.1**	**–72.9**

Related party transactions

Compared with the detailed information on related party transactions published in the 2022 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 2023 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 2022.

Events after the balance sheet date

By the time that these consolidated half-year financial statements had been completed on 18 September 2023, we had not become aware of further events that would have a material impact on the consolidated annual financial statements as a whole. In the second half of 2023, however, an increase in natural disasters has been observed in the non-life segment. It is anticipated that this will depress earnings by an amount in the mid-double-digit millions.

Alternative Performance Measures

In its financial publications, Baloise uses not only the figures produced in accordance with International Financial Reporting Standards (IFRS) but also alternative performance measures (APMs). They are designed to aid understanding of our results. Moreover, APMs help to measure performance, growth, profitability and capital efficiency.

However, they should be viewed as supplementary information and not as a substitute for the figures calculated in accordance with IFRS.

Baloise uses the following APMs:
- Business volume
- Return on equity (RoE)
- Comprehensive equity
- Combined ratio (CR)
- Present value of new business premium (PVNBP)
- Value of new business (VNB)
- New business margin (NBM)
- Cash remittance
- Total assets under management (AuM)

It should be noted that similarly named APMs published by other companies may be calculated in a different way. The comparability of APMs between companies may therefore be limited. Baloise-specific definitions and information about the use and limitations of the aforementioned alternative performance measures can be found below.

Definitions, usage and limitations

Business volume

Definition and use

The business volume is a measure of the amount of business generated in the reporting period. It comprises the gross premium income from non-life and life insurance recognised during the reporting period and the payments from policyholders in business involving financial contracts and investment-linked life insurance policies.

Limitations

The business volume does not give any indication of the profitability of business. Comparability with other companies is also limited because they use different definitions.

The business volume represents supplementary information that complements the disclosure of insurance revenue pursuant to IFRS 17. Unlike insurance revenue, it includes savings premium components and thus is generally higher for life insurance.

Return on equity (RoE)

Definition and use

Baloise defines return on equity as the profit for the reporting period divided by average equity adjusted for the dividend payment (the average of equity at the start of the reporting period [less the dividend paid] and at the end of the reporting period).

One of the reasons why the Baloise Group uses RoE as a performance measure is that it looks at both the Company's profitability and its capital efficiency.

Limitations
This performance measure's usefulness is limited because it is a relative measure and thus does not provide information about the absolute level of profit for the period or the absolute level of equity. RoE does not contain any contributions from the contractual service margin (CSM), which is relevant to the life insurance business, nor any contributions from other comprehensive income (OCI). These items are also relevant to the analysis of comprehensive income.

RoE is not available at division or product level.

Comprehensive equity
Definition and use
Baloise defines comprehensive equity as the sum of shareholders' equity (equity before non-controlling interests) and the contractual service margin (CSM) after taxes. One of the reasons why the Baloise Group uses comprehensive equity as a performance measure is that, unlike group equity, it includes expected future profits from the life insurance business and thus provides a more complete picture of the carrying amount of an insurance company.

Limitations
The usefulness of this performance measure is limited because, for example, the contractual service margin (CSM) is calculated on the basis of assumptions. The calculation rules for the CSM depend on the measurement approach (VFA or GMM) used for the underlying business. There is no CSM for the premium allocation approach (PAA).

Comprehensive equity is not available at division or product level.

Combined ratio (CR)
Definition and use
The Baloise Group uses the combined ratio to gauge the profitability of underwriting in the non-life insurance business. The combined ratio is the sum of insurance service expenses and net reinsurance income/expense divided by insurance revenue.

This means that costs not directly attributable to the insurance contracts are not included in the combined ratio. The combined ratio thus expresses the purely operational profitability of the non-life insurance business.

The combined ratio is typically expressed as a percentage. A ratio of less than 100 per cent means that the business is profitable from an underwriting perspective, while a ratio of more than 100 per cent indicates an underwriting loss. The combined ratio can be broken down into the loss ratio and the expense ratio.

The loss ratio represents claims and insurance benefits (net, i. e. including net reinsurance income/expense) divided by insurance revenue. It therefore expresses the percentage of insurance revenue that is used for the settlement of claims.

The expense ratio represents the insurance acquisition cash flows and administrative expenses included in insurance service expenses relative to insurance revenue. It thus expresses the proportion of insurance revenue that is needed to cover the insurance service expenses for the acquisition of new and renewal business and to cover the administrative expenses.

Limitations
The combined ratio is used to measure underwriting profitability, but does not indicate profitability in terms of investment performance or non-operating performance. Even if the combined ratio is above 100 per cent, the non-life segment may have still generated a profit overall because it achieved a gain on investments or a non-operating contribution to profit.

The usefulness of the combined ratio is limited because it is a ratio and therefore does not provide any information about the absolute level of the underwriting profit. In addition, comparability with other companies is limited, because they use different definitions.

Present value of new business premiums (PVNBP)

Definition and use

The present value of new business premiums is a performance measure used in the life segment that shows the present value of all premium payments expected to be received from new business over the likely term of the contracts. Baloise calculates the PVNBP from the sum of the present values of future premiums in the reporting period from new business involving IFRS 17 contracts, from new follow-on contracts in the Swiss group life business and from new financial contracts business. Discounting is based on the IFRS 17 discount rates (risk-free discount rates including an adjustment for illiquidity).

Limitations

There are further restrictions resulting from the assumptions (e.g. lapse rates, biometric assumptions) that are necessary for the projection of future premium payments. In addition, comparability with other companies is limited, partly because they define new business differently.

Value of new business (VNB)

Definition and use

The value of new business is a performance measure used in the life segment and indicates the increase in value generated by underwriting new business in the current period. It is derived from IFRS-based performance measures and is calculated from the contractual service margin (CSM) for new business. This figure is adjusted for any loss component and the value of IFRS 9 new business. It is thus a measure of expected future profit from new business. The calculation involves forecasting lapses, mortality, disability and expenses up to the end date of insurance contracts, using the latest capital market data and best estimates.

Limitations

Future profits are estimates based on assumptions and may therefore differ from the profits actually generated in the future. They are calculated using IFRS 17 discount rates (risk-free discount rates including an adjustment for illiquidity) that are based on the latest market data. The actual future interest rates and market data may differ. There may also be variation in, for example, the assumptions about customers' future behaviour. Moreover, the long forecast period may result in uncertainties as future changes to regulatory requirements or in the market environment, for example, may not have been factored into the forecast. Comparability with other companies is limited because they use different definitions and assumptions.

New business margin (NBM)

Definition and use

The new business margin is used to measure the profitability of new business in the life segment. It is the value of new business (VNB) in the reporting period divided by the present value of new business premiums (PVNBP).

Limitations

As the new business margin is calculated from the value of new business and the present value of new business premiums, its usefulness is subject to the same limitations as those measures.

Cash remittance

Definition and use

Cash remittance is a performance measure for cash generation. It includes all dividends paid by subsidiaries to the holding company, including contributions from interest payments on loans. Cash remittance is the main basis for the income that is used for dividends paid by Baloise Holding. The dividend payments are recognised and disclosed in the financial statements prepared in accordance with local accounting standards.

Limitations
Cash remittance may be higher or lower than the IFRS profit for the period reported by an entity. The composition and definition of cash remittance may vary from company to company. Further differences may arise in the comparison due to the timing of the recognition of cash remittance.

Total assets under management (AuM)
Definition and use
The assets under management are all assets or security portfolios measured at fair value, in respect of which Baloise Asset Management makes investment decisions or bears responsibility for portfolio management. They are managed on behalf of third parties and on behalf of the Baloise Group. As a rule, the level of AuM is reflected in the level of fee income, making it an important measure of the performance of the Baloise's asset management activities over time and in comparison with other companies.

Changes in assets under management are essentially driven by net new assets, market factors, exchange-rate effects, and the effects of consolidation and deconsolidation.

Net new assets equates to the sum of assets of new customers and additional contributions from existing customers, less withdrawals from customer accounts, closures of such accounts and distributions to investors in the reporting period.

Limitations
The level of assets under management is subject to volatility resulting from movements in the capital markets. For example, assets under management may continue to increase when interest rates fall, even if the figure for net new assets is negative. This limits the usefulness of this performance measure.

Glossary

Actuarial reserves
Actuarial reserves are the reserves set aside to cover current life insurance policies.

Annual premium equivalent (APE)
The annual premium equivalent (APE) is the insurance industry standard for measuring the volume of new life insurance business. It is calculated as the sum of the annual premiums earned from new business plus 10 per cent of the single premiums received during the reporting period.

Baloise
"Baloise" stands for "the Baloise Group", and "Baloise Holding" means "Baloise Holding Ltd". Baloise shares are the shares of Baloise Holding Ltd.

Broker
Insurance brokers are independent intermediaries. These are firms or individuals who are not restricted to any particular insurance companies when selling insurance products. They are paid commission for the insurance policies that they sell.

Business volume
The total volume of business comprises the premium income earned from non-life and life insurance and from investment-linked life insurance policies during the reporting period.

Claims incurred
Claims incurred comprise the amounts paid out for claims during the financial year, the reserves set aside to cover unsettled claims, the reversal of reserves for claims that no longer have to be settled or do not have to be paid in full, the costs incurred by the processing of claims, and changes in related reserves.

Claims ratio
The ratio of net claims incurred to insurance revenue, expressed as a percentage.

Claims reserve
A reserve for claims that have not been settled by the end of the year.

Combined ratio
A non-life insurance ratio that is defined as net claims incurred (loss ratio) and costs (expense ratio) expressed as a percentage of insurance revenue. This ratio is used to gauge the profitability of non-life insurance business.

Contractual service margin (CSM)
Represents the unearned profit of a group of insurance contracts that an entity will recognise as it provides insurance contract services in the future.

Deferred taxes
Probable future tax expenses and tax benefits arising from temporary differences between the carrying amounts of assets and liabilities recognised in the consolidated financial statements and the corresponding amounts reported for tax purposes. The pertinent calculations are based on country-specific tax rates.

Expected credit loss (ECL)
The credit losses expected according to the principles of IFRS 9 for financial instruments measured at amortised cost (AC) or at fair value through other comprehensive income (FVOCI).

Expense ratio
A ratio of the costs of non-life insurance business to insurance revenue, expressed as a percentage.

Fixed-income securities
Securities (primarily bonds) that yield a fixed rate of interest throughout their term to maturity.

Gross
The gross figures shown on the balance sheet or income statement in an insurance company's annual report are stated before deduction of reinsurance.

Group life business
Insurance policies taken out by companies or their employee benefit units for the occupational pension plans of their entire workforce.

Impairment
An asset write-down that is recognised in profit or loss. An impairment test is carried out to ascertain whether an asset's carrying amount is higher than its recoverable amount. If this is the case, the asset is written down to its recoverable amount and a corresponding impairment loss is recognised in the income statement.

Insurance benefit
The benefits provided by the insurer in connection with the occurrence of an insured event.

Insurance revenue
Amount that reflects the consideration to which an insurance company expects to be entitled in exchange for the provision of services under insurance contracts.

International Financial Reporting Standards
Since 2000 the Baloise Group has been preparing its consolidated financial statements in compliance with International Financial Reporting Standards (IFRS), which were previously called International Accounting Standards (IAS).

Investments
Investments comprise investment property, equities and alternative financial assets (financial instruments with characteristics of equity), fixed-income securities (financial instruments with characteristics of debt), mortgage assets, policy loans and other loans, derivative financial instruments, and cash and cash equivalents.

Investment-linked life insurance
Life insurance policies under which policyholders invest their savings for their own account and at their own risk.

Legal quota
A legally or contractually binding percentage requiring life insurance companies to pass on a certain share of their profits to their policyholders.

Minimum interest rate
The minimum guaranteed interest rate paid to savers under occupational pension plans.

Net
The net figures shown on the balance sheet or income statement in an insurance company's annual report are stated after deduction of reinsurance.

New business margin
The value of new business divided by the volume of new business.

Operating segments
Similar or related business activities are grouped together in operating segments. The Baloise Group's operating segments are Non-Life, Life, Asset Management & Banking, and Other Activities. The Other Activities operating segment includes equity investment companies, real estate firms and financing companies.

Performance of investments
Performance in this context is defined as the rates of return that Baloise generates from its investments. It constitutes the gains, losses, income and expenses recognised in the income statement plus changes in unrealised gains and losses as a percentage of the average portfolio of investments held.

Periodic premium
Periodically recurring premium income (see definition of "premium").

Policyholder's dividend
An annual, non-guaranteed benefit paid to life insurance policyholders if the revenue generated by their policies is higher and/or the risks and costs associated with their policies are lower than the assumptions on which the calculation of their premiums was based.

Premium
The amount paid by the policyholder to cover the cost of insurance.

Profit after taxes
Profit after taxes is the consolidated net result of all income and expenses, minus all borrowing costs as well as current income taxes and deferred taxes. Profit after taxes includes the share of profit attributable to non-controlling interests. The profit attributable to shareholders is the profit after taxes excluding the share of profit attributable to non-controlling interests.

Reinsurance
If an insurance company itself does not wish to bear the full risk arising from an insurance policy or an entire portfolio of policies, it passes on part of the risk to a reinsurance company or another direct insurer. However, the primary insurer still has to indemnify the policyholder for the full risk in all cases.

Reserves
A measurement of future insurance benefit obligations arising from known and unknown claims that are reported as liabilities on the balance sheet.

Return on equity (RoE)
A calculation of the percentage return earned on a company's equity capital during the reporting period; it represents the profit generated in a given reporting period divided by the company's average equity during that period.

Run-off business
An insurance policy portfolio that has ceased to accept new policies and whose existing policies are gradually expiring.

Segment
Financial reporting in the Baloise Group is carried out in accordance with International Financial Reporting Standards (IFRSs), which require similar transactions and business activities to be grouped and presented together. These aggregated operating activities are presented in "segments", broken down by geographic region and business line.

Share buy-back programme
Procedure approved by the Board of Directors under which Baloise can repurchase its own outstanding shares. Companies in Switzerland open a separate trading line in order to carry out such buy-backs.

Shares issued
The total number of shares that a company has issued; multiplying the total number of shares in issue by their face value gives the company's nominal share capital.

Single premium
Single premiums are used to finance life insurance policies at their inception in the form of a one-off payment. They are mainly used to fund wealth-building life insurance policies, with the prime focus on investment returns and safety.

Swiss Leader Index
The Swiss Leader Index (SLI) comprises the 30 largest and most liquid equities on the Swiss stock market.

Solvency
Minimum capital requirements that the regulatory authorities impose on insurance companies in order to cover their business risks (investments and claims). These requirements are usually specified at a national level and may vary from country to country.

Technical reserve
Insurers disclose on their balance sheets the value of the benefits that they expect to have to provide in future under their existing insurance contracts. This value is calculated from a current perspective in accordance with generally accepted principles.

Technical result
Baloise calculates its technical result by netting all income and expenses arising from its insurance business. Its technical result does not include income and expenses unrelated to its insurance business or the net gains or losses on its investments.

Unearned premium reserves
Deferred income arising from premiums that have already been paid for periods after the balance sheet date.

Unrealised gains and losses (recognised directly in equity)
Unrealised gains and losses are increases or decreases in value that are not recognised in profit or loss and arise from the measurement of assets. They are recognised directly in equity after deduction of deferred taxes.

Value of new business
The value added by new business transacted during the reporting period.

Financial calendar and contacts

16 November 2023
Q3 interim statement

26 March 2024
Annual results
Publication of the 2023 annual report and annual review
Media conference and conference call for analysts

26 April 2024
Annual General Meeting
Baloise Holding Ltd

Investor Relations
Markus Holtz
Aeschengraben 21
CH-4002 Basel
Tel. + 41 58 285 81 81
investor.relations@baloise.com

Media Relations
Roberto Brunazzi
Aeschengraben 21
CH-4002 Basel
Tel. + 41 58 285 82 14
media.relations@baloise.com

Public Affairs & Sustainability
Dominik Marbet
Aeschengraben 21
CH-4002 Basel
Tel. + 41 58 285 84 67
dominik.marbet@baloise.com

General information on the half-year report

This publication was produced by the Baloise Group and may not be copied, amended, offered, sold or made available to third parties without the express authorisation of the Baloise Group. This publication is also available in German. Only the German text is legally binding. 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.

The companies of the Baloise Group and its decision-making bodies, employees, agents and other persons do not accept any liability for the accuracy, completeness or appropriateness of the information contained in this publication. Specifically, no liability is accepted for any loss or damage resulting from the direct or indirect use of this information. This publication constitutes neither an offer nor a request to exchange, purchase or subscribe to securities; nor does it constitute an issue or listing prospectus.

Cautionary note on forward-looking statements

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

Availability and ordering

The 2023 half-year report will be available from 20 September 2023 on the internet at
www.baloise.com/half-year-report

Corporate publications can be ordered either on the internet at www.baloise.com/order or by post from the Baloise Group, Corporate Communications, Aeschengraben 21, 4002 Basel, Switzerland.

Information for shareholders and financial analysts

Detailed information and data on Baloise shares, the IR agenda, the latest presentations and how to contact the Investor Relations team can be found on the internet at
www.baloise.com/investors
This information is available in German and English.

Information for members of the media

You will find the latest media releases, presentations, reports, images and podcasts of various Baloise events as well as media contact details at www.baloise.com/media

© 2023 Baloise Holding Ltd, CH-4002 Basel
Publisher: Baloise Holding Ltd, Corporate Communications & Investor Relations
Concept, design: NeidhartSchön Ltd, Zurich
Photography: Dominik Plüss, Basel
Publishing: mms solutions ltd, Zurich
English translation: LingServe Ltd (UK)

Baloise Holding Ltd
Aeschengraben 21
CH-4002 Basel
www.baloise.com