“ Finding and retaining
the right customers ... ”

Semi-Annual Report 2005

Dear Shareholders

The Baloise Group achieved an excellent business result in the first half of 2005. The net profit of CHF 218 million was 58.4% above the 2004 half-year result. The overall business volume rose by 2.8%. The turnaround in Belgium was brought to a successful conclusion. All business units and lines of operation made a substantial contribution to the Group result.

The net asset value also registered a clear improvement with a 23.3% advance in consolidated equity and an upsurge of the solvency margin to 280% (incl. banking assets).

The **non-life** segment posted a profit before tax of CHF 160 million, up by 8.8%. The combined ratio was enhanced year-on-year, coming to 94.1% (1H 2004: 94.6%). Premium income remained roughly on a par with the previous year's figures, a reflection of our strict focus on profitability.

The **life insurance segment** achieved a marked increase in pre-tax profit to CHF 97 million. The business volume was raised by 5.1% despite persistently low interest rates.

The **banking sector** posted a profit before tax of CHF 20 million, a 21.8% increase year-on-year.

On the back of friendly stock markets, **capital investments** registered a half-year performance of 2.7%.

The **Baloise stock** developed extremely well. With a 21.9% price increase in the period under review, it clearly outperformed both the overall market and the insurance sector.

The massive damage caused by floods and landslides in Switzerland and parts of Germany and Austria in August will leave its mark on the underwriting result. Nevertheless, we are convinced that the full year 2005 will close with a marked increase in profit.

Rolf Schäuble
Chairman of the
Board of Directors

Frank Schnewlin
Chief Executive Officer

Basel, September 7, 2005

The most important figures at a glance

Income statement	6.30.04 (adjusted)	12.31.04 (adjusted)	**6.30.05**	Change in % as against 6.30.04
Total premium income	4,352.1	6,941.3	4,412.9	1.4
of which non-life	1,999.9	3,080.8	1,997.0	–0.1
of which life	2,360.3	3,876.2	2,425.3	2.8
Investment-type premiums	147.6	443.0	210.6	42.9
Consolidated net profit	137.4	223.3	217.6	58.4

in CHF m

Balance sheet	6.30.04 (adjusted)	12.31.04 (adjusted)	**6.30.05**	Change in % as against 6.30.04
Investments	56,515.3	53,543.8	55,232.0	–2.3
Technical provisions	42,664.0	42,825.8	44,007.0	3.1
Equity	3,224.1	3,497.8	3,976.6	23.3

in CHF m

Ratios	6.30.04 (adjusted)	12.31.04 (adjusted)	**6.30.05**	Change as against 6.30.04
Combined ratio non-life (gross)	94.6	93.0	94.1	–0.5
Combined ratio non-life (net)	98.4	97.5	98.0	–0.4

in percent

Key share data	6.30.04 (adjusted)	12.31.04 (adjusted)	**6.30.05**	Change in % as against 6.30.04
Equity per share in CHF	57.56	62.09	70.90	23.2
Consolidated net profit per share in CHF	2.47	3.89	3.98	61.1
Closing price in CHF	54.00	52.50	64.00	18.5
Market capitalization in CHF m	3,009	2,904	3,540	17.6

The previous year's figures have been adjusted in accordance with the modified IFRS regulations.

Baloise boosts profit by 58%

Business development in the first half of 2005

The Baloise Group registered an excellent performance in the first half of 2005, achieving a profit of CHF 217.6 million, which represents a 58.4% increase year-on-year (1H 2004: CHF 137.4 m). The turnaround in Belgium has been accomplished successfully. All business units and lines of operation made a substantial contribution to the Group result. The business volume (incl. investment-type premiums) amounted to CHF 4,623.5 million (1H 2004: CHF 4,499.7 m), an increase of 2.8%. Premium income in accordance with IFRS accounting principles rose by 1.4% to CHF 4,412.9 million.

Non-life insurance posted a profit before tax of CHF 160.3 million, up by 8.8% on the previous year (1H 2004: CHF 147.3 m). The gross combined ratio of 94.1% was an improvement over the previous year's value (94.6%), as was the net combined ratio (98.0% against 98.4%). The clearly reduced cost ratio of 29.5% gross (1H 2004: 31.3%) reflects the marked improvements in operational efficiency. The gross loss ratio advanced slightly year-on-year to 64.2% (1H 2004: 62.8%); it must be taken into account, however, that the level of claims in the first half of 2004 was particulary low. The premium volume amounting to CHF 1,997.0 million was on a par with the previous year's

	Gross premiums		Segment result	
	1st half	1st half	1st half	1st half
Results by business segment	2004 (adjusted)	**2005**	2004 (adjusted)	**2005**
Non-life	1,999.9	1,997.0	147.3	160.3
Life	2,360.3	2,425.3	11.7	96.8
Banking	–/–	–/–	16.5	20.0
Other activities	–/–	–/–	40.0	28.1
Elimination	–8.1	–9.4	–/–	–/–
Total	**4,352.1**	**4,412.9**	**215.5**	**305.2**

in CHF m

	Gross premiums		Segment result	
	1st half	1st half	1st half	1st half
Results by geographical segment	2004 (adjusted)	**2005**	2004 (adjusted)	**2005**
Switzerland	2,697.7	2,796.4	49.5	114.8
Germany	1,168.6	1,136.6	78.1	49.0
Benelux	404.5	394.1	–7.0	47.8
Other countries and Group business	203.9	289.6	94.9	93.6
Elimination	–122.6	–203.8	–/–	–/–
Total	**4,352.1**	**4,412.9**	**215.5**	**305.2**

in CHF m

	1st half	1st half
Gross premiums and investment-type premiums	2004 (adjusted)	**2005**
Gross premiums written and policy fees	4,352.1	4,412.9
Change in unearned premium reserve	–453.6	–455.0
Premiums earned and policy fees (gross)	**3,898.5**	**3,957.9**
Investment-type premiums	147.6	210.6
Gross premiums, policy fees and investment-type premiums	**4,046.1**	**4,168.5**

in CHF m

level. This restrained development in premium income is an indication of our profitability-oriented business policy and fiercer price competition in several markets.

Life insurance posted a markedly higher profit before tax of CHF 96.8 million (1H 2004: CHF 11.7 m). One-off effects had a positive influence on the 2005 half-year result, whereas the so-called legal quote had had a dampening impact on the first-half result of 2004. The business volume (incl. investment-type premiums) climbed to CHF 2,635.9 million (1H 2004: CHF 2,507.9 m), a gratifying increase of 5.1%. Premiums in accordance with IFRS accounting principles advanced by 2.8% to CHF 2,425.3 million. The largest part of this increase was written in Switzerland. Life insurance growth slowed down in all our markets owing to the prevalent low interest rate levels. In Germany, the new tax regime was a further restraining factor in life insurance sales.

Banking operations posted earnings before tax of CHF 20.0 million, representing a rise by 21.8% (1H 2004: CHF 16.5 m). This result only partly lends itself to year-on-year comparison, since Mercator Bank – sold at the beginning of August 2004 – was still included in the 1H 2004 consolidated figures. Earnings from interest business declined year-on-year owing to competitive pressure, whereas income from commission business and services clearly surpassed the previous year's figure. Baloise Bank SoBa distinctly raised its profit; Baloise Asset Management and Deutscher Ring's Bausparkasse both registered a stronger result, too.

Capital investments achieved an overall performance (not annualized, by cost) of 2.7% (1H 2004: 1.5%) thanks to favorable stock and bond market developments. The improved risk landscape allowed the equity allocation (gross, including unit-linked life insurance) to be upped to 10.8%, as against 9.6% at the beginning of the year. The net allocation to equities came to 8.9% (beginning of 2005: 7.9%).

The consolidated **equity** of the Baloise Group increased by 23.3 % to CHF 3,976.6 million. The solvency margin amounted to 280% (incl. banking assets), which reflects a clearly boosted net asset value.

Developments in core markets

Baloise **Switzerland** considerably raised its earnings before tax to CHF 114.8 million in the first half of 2005 (1H 2004: CHF 50.5 m). Premium volume grew by a gratifying 3.7% to CHF 2,796.4 million (1H 2004: CHF 2,697.7 m). The Baloise Group's largest business unit thus continued to enhance its operational performance in all lines of business.

The premium volume in Swiss *non-life business* amounted to CHF 953.8 million (1H 2004: CHF 932.8 m), a year-on-year increase of 2.3%. All product lines shared in this growth with the exception of sickness daily allowance operations, which registered a decline. The combined ratio was again improved, posting an excellent gross value of 92.3% (1H 2004: 94.0%), to which both the loss ratio and the cost ratio contributed.

In Swiss *life insurance,* the premium volume advanced by 4.4% to CHF 1,842.6 million despite the low interest rate levels (1H 2004: CHF 1,764.9 m). Individual life premiums recorded a slight 1.8% increase, despite difficult market circumstances, thanks to a boost in single premiums. Group life insurance grew by 5.1%, with single premiums rising vigorously while periodic premiums receded as expected.

The business volume generated by *Mobile Banking* – the distribution of banking products through the insurance sales network – again registered a significant increase.

The net profit earned by *Baloise Bank SoBa* advanced to CHF 8.8 million, a 17.3% rise against the first half of 2004. Costs were reduced; the income from interest and commission operations was on a par with the previous year's figure. The bank remains on course with regards to its profitability target. The mortgage business proved bumpy, owing to stiff competition and our strict focus on profitability.

The business units abroad made an above-average contribution to Group earnings relative to their business volume.

In **Germany** the market was characterized by a weak economy and widespread consumer reticence. As a result of underwriting restructuring, price pressure in the non-life sector and lower interest rates in life insurance business, the premium volume expressed in euro declined by 2.3% overall to CHF 1,136.6 million (1H 2004: CHF 1,168.6 m). The two business units of the Germany segment, Basler Securitas and Deutscher Ring, together posted a profit before tax of CHF 49.0 million (1H 2004: CHF 78.1 m).

Deutscher Ring reached a business volume (incl. investment-type premiums) of CHF 547.3 million (1H 2004: CHF 539.9 m), equivalent to a 1.8% increase in euro. At CHF 503.0 million, the premium volume in accordance with IFRS accounting principles remained on a par with the previous year's level. The pension fund set up in the second quarter of 2004 has been successfully growing its premium income. The profitability of Deutscher Ring's life operation's continued to develop favorably. In the non-life sector, the company attained a combined ratio of 95.2% (1H 2004: 90.3%). An increase in claims incurred pushed up the loss ratio, whereas the cost ratio was reduced. To raise the attractiveness of its product range, the company has enhanced its market presence with several innovations in the accident and life insurance lines. Bausparkasse outperformed the market in terms of new business. Its business realignment is proceeding according to plan.

The integration of *Basler Securitas* is also on track and should be completed by the end of 2005. Operational earnings and net profitability were both driven forward in the first half of the year. Thanks to lower costs, the combined ratio in the core non-life segment improved significantly to 95.0% (1H 2004: 99.4%). The premium volume came to CHF 633.6 million (1H 2004: CHF 666.0 m). The 4.5% decline in euro is primarily due to measures intended to boost the underwriting result and a shrinking overall market, particularly in the motor vehicle and industrial business lines. The premium volume in life insurance recorded a slight drop.

The **Benelux** segment comprising *Mercator* in Belgium and *Bâloise Luxembourg* posted a substantially improved pre-tax result of CHF 47.8 million (1H 2004: CHF –7.0 m). Both business units are now operating profitably, with Mercator Group having successfully accomplished the turnaround it was aiming for. The strict streamlining of Mercator Group's minority interests and capital investments had a particularly favorable impact on profitability.

Mercator attained a premium income of CHF 351.0 million (1H 2004: CHF 360.8 m). The 2.2% decline in euro is due to the strictly profit-oriented underwriting policy, the sale of certain business portfolios as well as general price pressure and intense competition particularly in motor insurance. In non-life insurance, the combined ratio came to 99.6% (1H 2004: 93.5%). The main reasons for this higher ratio are the decline in premiums, the amount of large-scale claims and the loss of cost carriers through divestment. Premium income in life insurance also registered a slight drop. *Bâloise Luxembourg,* too, raised its contribution to Group's result. The business volume augmented to CHF 150.1 million (1H 2004: CHF 95.0 m). This growth is largely attributable to unit-linked life insurance, which doubled in volume, whereas traditional life insurance shrank somewhat. Thanks to an extraordinarily favorable loss experience and the selective underwriting policy, the combined ratio was brought down to 89.6% (1H 2004: 99.3%).

In the **"Other countries/Group companies"** segment, *Basler Austria* achieved a premium volume of CHF 63.9 Mio. (1H 2004: CHF 59.0 m), which corresponds to a gratifying 8.7% growth rate in euro. Moreover, the company has consistently strengthened its sales force over the past two years. The combined ratio showed a marked year-on-year improvement at 100.6% against 113.1% in the first half of 2004.

The units responsible for internal funding and reinsurance, which are also contained in this segment, posted sound results. The segment's pre-tax profit came to CHF 93.6 million (1H 2004: CHF 94.9 m).

Baloise shares

The Baloise stock showed a gratifying development. Its 21.9% price increase is the fourth-highest of the 27 SMI-listed companies, clearly exceeding the performance of both the overall market and the insurance sector. The major part of this outperformance occurred in the second quarter. One reason was the market's positive reaction to the 2004 annual results. Key economic factors for the insurance sector in the first half of the year were further drops in interest rates and the strengthening of the dollar. Taken on their own, lower interest rates have a negative influence on the profitability of the insurance business. This was reflected in the industry's general share price development and the fact that this relative loss in value vis-à-vis the market as a whole came about entirely in the second quarter. Such an environment makes the Baloise's share performance all the more remarkable. Baloise shares remain broadly spread. No shareholder owns more than 5% of the outstanding shares and the free float amounts to 100%.

Outlook for full year 2005

The massive damage caused by flood and landslide in Switzerland and parts of Germany and Austria in August will leave its mark on the underwriting result. Nevertheless, we are counting on a marked increase in profit for the full year 2005. In non-life business, we expect premium income to remain in line with the previous year. In the life insurance sector, we anticipate a higher earnings level. Owing to the negative market development in Swiss life insurance, however, we expect a decline in the premium volume.

Our prime focus remains on the ongoing strengthening of the Group's operational earning power and our target of achieving a return on equity of at least 10% by 2006.

Non-life combined ratio and other reserves

Consolidated (gross)	6.30.04 (adjusted)	12.31.04 (adjusted)	6.30.05	6.30.04 (adjusted)	12.31.04 (adjusted)	6.30.05
			Gross			Net
Loss ratio	62.8	63.0	64.2	65.1	66.0	66.7
Expense ratio	31.3	29.6	29.5	32.8	31.1	30.9
Profit-sharing ratio	0.5	0.4	0.4	0.5	0.4	0.4
Combined ratio	**94.6**	**93.0**	**94.1**	**98.4**	**97.5**	**98.0**

as a percentage of premiums earned

By geographical segment (gross)	Switzerland			Germany			Benelux			Other countries		
	6.30.04 (adjusted)	12.31.04 (adjusted)	6.30.05	6.30.04 (adjusted)	12.3104 (adjusted)	6.30.05	6.30.04 (adjusted)	12.31.04 (adjusted)	6.30.05	6.30.04 (adjusted)	12.31.04 (adjusted)	6.30.05
Loss ratio	67.8	68.5	67.1	59.0	57.5	61.4	62.7	64.4	65.4	58.5	61.2	54.1
Expense ratio	25.0	23.7	24.5	38.6	35.9	33.5	31.2	31.2	33.5	24.3	20.2	23.3
Profit-sharing ratio	1.2	0.9	0.7	–0.1	0.1	0.1	–/–	0.0	0.0	–/–	0.2	0.1
Combined ratio	**94.0**	**93.1**	**92.3**	**97.5**	**93.5**	**95.0**	**93.9**	**95.6**	**98.9**	**82.8**	**81.6**	**77.5**

as a percentage of premiums earned

Other reserves (equity)	6.30.04 (adjusted)	12.31.04 (adjusted)	6.30.05
Unrealized gains and losses	–33.3	140.8	443.0
Retained earnings	3,165.1	3,241.5	3,419,3
Total	**3,131.8**	**3,382.3**	**3,862.3**

in CHF m

Consolidated balance sheet, abridged (not audited)

Assets

	12.31.2004 (adjusted)	6.30.2005
Property, plant and equipment	647.5	632.6
Intangible assets	1,223.1	1,179.8
Participating interests in associates	152.6	148.8
Investment property	5,619.2	5,602.7
Equity securities		
available for sale	5,573.7	6,492.9
at fair value through income	1,183.7	1,433.9
Debt securities		
held to maturity	8,390.5	7,996.6
available for sale	14,373.3	15,448.7
at fair value through income	445.0	470.3
Mortgages and loans	16,995.5	16,889.9
Derivative financial instruments	264.9	152.3
Receivables and assets from reinsurance business	690.6	689.7
Receivables from insurance operations	552.0	953.0
Receivables relating to employee benefits	33.3	41.6
Other receivables	363.9	526.0
Accrued investment income	657.8	559.5
Deferred tax credits	999.7	1,060.8
Income tax credits	55.5	55.4
Other assets	163.8	171.4
Cash and cash equivalents	698.0	744.7
Total assets	**59,083.6**	**61,250.6**

in CHF m

Liabilities and equity

Equity	12.31.2004 (adjusted)	6.30.2005
Share capital	5.5	5.5
Capital reserves	125.6	122.0
Treasury stock	–79.5	–68.5
Other reserves	3,382.3	3,862.3
Equity before minority interests	**3,433.9**	**3,921.3**
Minority interests	63.9	55.3
Total equity	**3,497.8**	**3,976.6**

Liabilities		
Technical provisions life (gross)	37,501.8	38,089.5
Technical provisions non-life (gross)	5,324.0	5,917.5
Liabilities from banking business and financial contracts		
with Discretionary Participation Feature (DPF)	272.0	292.5
at amortized cost	4,363.2	4,570.7
at fair value	858.7	958.8
Borrowings	1,585.9	1,589.1
Derivative financial instruments	160.3	354.5
Payables from insurance operations	1,710.6	1,441.2
Payables relating to employee benefits	1,371.4	1,395.7
Other liabilities and deferred income	485.0	618.0
Nontechnical provisions	117.9	113.7
Deferred tax liabilities	1,710.1	1,777.7
Current income tax liabilities	124.9	155.1
Total liabilities	**55,585.8**	**57,274.0**
Total liabilities and equity	**59,083.6**	**61,250.6**

in CHF m

Consolidated income statement, abridged (not audited)

	1st half 2004 (adjusted)	1st half 2005
Premiums earned and policy fees (gross)	3,898.5	3,957.9
Reinsurance premiums ceded	–100.4	–100.3
Premiums earned and policy fees for own account	3,798.1	3,857.6
Investment income	957.8	929.1
Realized gains and losses on investments	168.1	222.1
Income from services	162.8	84.6
Share of profit/loss of associates	7.6	30.5
Other operating income	57.2	26.7
Income	5,151.6	**5,150.6**
Claims and benefits paid (gross)	–3,229.5	–3,317.3
Changes in actuarial reserves (gross)	–560.9	–544.6
Reinsurers' share of gross claims payments	30.7	28.5
Acquisition expenses	–244.6	–246.8
Administrative and other operating expenses from insurance operations	–413.0	–408.8
Expenses for asset management and services rendered	–40.7	–43.8
Interest payable from insurance operations	–45.9	–40.9
Expenses relating to financial contracts	–176.9	–58.7
Other operating expenses	–255.3	–213.0
Expenses	**–4,936.1**	**–4,845.4**
Finance costs	–26.2	–29.5
1st half profit before tax	**189.3**	**275.7**
Tax on income	–51.9	–58.1
Group 1st half profit	**137.4**	**217.6**

in CHF m

	1st half 2004 (adjusted)	1st half 2005
attributable to:		
Retained earnings (shareholders)	135.5	216.2
Minority interests	3.9	1.4
Earnings per share		
diluted	2.47	3.98
basic	2.47	3.98

in CHF

Consolidated cash flow statement, abridged (not audited)

Cash flow from operating activities	1st half 2004 (adjusted)	1st half 2005
1st half profit before tax	189.3	275.7
Revaluation, amortization and depreciation of intangible assets and tangible noncurrent assets	16.7	46.8
Realized gains and losses on financial instruments, investment property and associates	–174.9	–241.8
Technical provisions (gross)	987.1	899.7
Purchase/disposal of investment property	–47.3	34.3
Purchase/disposal of equity securities	–538.8	–532.6
Purchase/disposal of debt securities	–238.9	–344.1
Increase/decrease of mortgages and loans	32.9	68.9
Increase/decrease of derivative financial instruments	2.1	–96.4
Increase/decrease of liabilities from banking business and financial contracts	222.1	571.9
Other movements in operating assets and liabilities	–640.6	–588.7
Cash flow from operating activities (gross)	**–190.3**	**93.7**
Tax paid	–6.7	–12.7
Cash flow from operating activities (net)	**–197.0**	**81.0**
Cash flow from investing activities		
Purchase of tangible noncurrent assets and intangible assets	–70.8	–50.9
Disposal of tangible noncurrent assets and intangible assets	34.4	36.8
Acquisition of subsidiaries where there is no effect on cash and cash equivalents	–/–	–7.8
Disposal of subsidiaries where there is no effect on cash and cash equivalents	47.1	2.3
Acquisition of participating interests in associates	–17.3	–0.5
Disposal of participating interests in associates	28.1	30.1
Dividends received from associates	1.4	5.7
Cash flow from investing activities (net)	**22.9**	**15.7**
Cash flow from financing activities		
Capital increases/reductions	–/–	–/–
Additions to borrowings	–/–	–/–
Deletions from borrowings	–/–	–/–
Cash flow from treasury stock	–14.2	10.8
Dividends paid	–33.2	–60.8
Cash flow from financing activities (net)	**–47.4**	**–50.0**
Total cash flow	**–221.5**	**46.7**
Cash and cash equivalents		
Balance at January 1	695.9	698.0
Change in 1st half	–215.6	29.8
Effect of foreign exchange rate changes on cash and cash equivalents	–5.9	16.9
Balance at June 30	**474.4**	**744.7**

in CHF m

Consolidated equity, abridged (not audited)

	Share capital	Capital reserves	Treasury stock	Other reserves	Sum before minority interests	Minority interests	Total equity
Balance at January 1, 2004 (before restatement)	**5.5**	**90.3**	**–49.7**	**3,273.7**	**3,319.8**	**40.7**	**3,360.5**
Restatements:							
IFRS 4				–12.1	–12.1		–12.1
IAS 39/IAS 32 revised				–4.3	–4.3		–4.3
Others		40.8	–28.6	36.9	49.1		49.1
Balance at January 1, 2004 (after restatement)	**5.5**	**131.1**	**–78.3**	**3,294.2**	**3,352.5**	**40.7**	**3,393.2**
Movement on unrealized gains and losses on financial instruments available for sale				–190.2	–190.2		–190.2
Movement on hedging reserve relating to derivative financial instruments held for cash flow hedging				–22.2	–22.2		–22.2
Movement on reserves from reclassification of financial instruments held to maturity				–6.9	–6.9		–6.9
Movement on reserves from reclassification of investment property				–/–	–/–		–/–
Foreign exchange differences				–9.7	–9.7		–9.7
Less movement on							
policyholder bonuses				–82.5	–82.5		–82.5
deferred acquisition costs not charged to income				33.7	33.7		33.7
deferred tax				15.1	15.1		15.1
Total recognized income for 1st half 2004				**3,031.5**	**3,089.8**		**3,130.5**
1st half profit				133.5	133.5	3.9	137.4
Sum of net income/expense charged to income and total net income/expense recognized directly in equity				**3,165.0**	**3,223.3**		**3,267.9**
Dividends				–33.2	–33.2		–33.2
Capital increase/repayment					–/–		–/–
Purchase/disposal of treasury stock		–5.5	–1.0		–6.5		–6.5
Increase/decrease in minority interests owing to change in scope of consolidation						–4.1	–4.1
Balance at June 30, 2004 (after restatement)	**5.5**	**125.6**	**–79.3**	**3,131.8**	**3,183.6**	**40.5**	**3,224.1**

in CHF m

	Share capital	Capital reserves	Treasury stock	Other reserves	**Sum before minority interests**	**Minority interests**	**Total equity**
Balance at January 1, 2005 (before restatement)	**5.5**	**77.6**	**–50.2**	**3,449.6**	**3,482.5**	**63.5**	**3,546.0**
Restatements:							
IFRS 4				–17.8	–17.8		–17.8
IAS 39/IAS 32 revised				–88.0	–88.0		–88.0
Others		48.0	–29.3	38.5	57.2	0.4	57.6
Balance at January 1, 2005 (after restatement)	**5.5**	**125.6**	**–79.5**	**3,382.3**	**3,433.9**	**63.9**	**3,497.8**
Release of negative goodwill (IFRS 3)				22,4	22,4		22,4
Movement on unrealized gains and losses on financial instruments available for sale				552.8	552.8		552.8
Movement on hedging reserve relating to derivative financial instruments held for cash flow hedging				–181.6	–181.6		–181.6
Movement on reserves from reclassification of financial instruments held to maturity				–6.6	–6.6		–6.6
Movement on reserves from reclassification of investment property				–/–	–/–		–/–
Foreign exchange differences				177.8	177.8		177.8
Less movement on							
policyholder bonuses				–138.9	–138.9		–138.9
deferred acquisition costs not charged to income				–86.6	–86.6		–86.6
deferred tax				–14.7	–14.7		–14.7
Total net income/expense recognized directly in equity				**3,706.9**	**3,758.5**		**3,822.4**
1st half profit				216.2	216.2	1.4	217.6
Total recognized income for 1st half 2005				**3,923.1**	**3,974.7**		**4,040.0**
Dividends				–60.8	–60.8		–60.8
Capital increase/repayment					–/–		–/–
Purchase/disposal of treasury stock		–3.6	11.0		7.4		7.4
Increase/decrease in minority interests owing to change in scope of consolidation						–10.0	–10.0
Balance at June 30, 2005	**5.5**	**122.0**	**–68.5**	**3,862.3**	**3,921.3**	**55.3**	**3,976.6**

in CHF m

Notes to the consolidated first-half financial statements, abridged (not audited)

Basis of accounting

The Semi-Annual Report was prepared in accordance with International Financial Reporting Standards (IFRS) on the basis of IAS 34 Interim Financial Reporting. The Semi-Annual Report should be read in conjunction with the 2004 consolidated financial statements.

Application of new accounting standards

IFRS 2 – Share-based Payment

The new IFRS 2 Share-based Payment has been applied from January 1, 2005 onwards. The standard governs the measurement and disclosure of share-based payment plans. Plans under which transactions are settled in Bâloise-Holding shares are measured at fair value at the date of grant and expensed as a personnel cost over the vesting period, with a credit to equity recognized at the same time. Cash-settled plans whose amount depends on the performance of Bâloise-Holding shares are measured at fair value at the balance sheet date and recognized as a liability. As part of the first-time adoption of IFRS 2 and other revised standards that need to be applied retrospectively, the previously unconsolidated employee share foundation has been included in the scope of consolidation as of January 1, 2004.

IFRS 3 – Business Combinations

The Baloise Group has been applying IFRS 3 Business Combinations since March 31, 2004. From January 1, 2005 onwards, goodwill ceases to be amortized in accordance with IAS 36 Impairment of Assets and IAS 38 Intangible Assets, among others, and is instead tested for impairment on a regular basis. The negative goodwill of CHF 22.4 million as of the end of fiscal 2004 was taken directly to equity on January 1, 2005.

IFRS 4 – Insurance Contracts

IFRS 4 provides guidance on accounting for and disclosing insurance and reinsurance contracts. It has been applied retrospectively from January 1, 2004 onwards. Since IFRS 4 does not cover the measurement of insurance contracts, the relevant US GAAP regulations will continue to be applied until a suitable standard has been put in place. IFRS 4 requires all contracts concluded by insurance companies to be classified as insurance contracts or financial contracts. A contract is classified as an insurance contract if the insurance company accepts significant insurance risk. Financial contracts are accounted for in accordance with IAS 39 revised provided they do not contain any discretionary participation features (DPF). Such financial contracts are accounted for at fair value or in accordance with the amortized cost method depending on their classification and the relevant standard. As a result of applying IFRS 4, certain insurance contracts have been reclassified as financial contracts or, due to the limited applicability of this standard, as liabilities under IAS 19 Employee Benefits. Affected by this latter change is the insurance contract between Basler Lebens-Versicherungs-Gesellschaft, Basel and Vorsorgestiftung der Basler, Versicherungs-Gesellschaft, Basel (Baloise Insurance pension fund).

The new IFRS 4 impacts mainly on life business. The impact on non-life business is marginal.

IFRS 4 also addresses aspects of accounting for and disclosing discretionary participation features (DPFs) contained in insurance contracts. DPF refers to discretionary surplus sharing granted on the strength of certain insurance contracts. Measurement differences arising from insurance contracts where the allocation of surpluses is governed by legal, contractual or statutory regulations are allocated to the policyholder in accordance with these provisions. Measurement differences arising from insurance contracts where the allocation of surpluses is not governed by legal, contractual or statutory regulations are disclosed in equity. In cases where legal, contractual or statutory regulations govern the allocation of surpluses, the latter are taken to liabilities.

IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations

Applied from January 1, 2005 onwards, this new standard provides guidance on accounting for, measuring and disclosing the assets and disposal groups affected. A disposal group is a group of assets, possibly with some associated liabilities, which the entity intends to dispose of in a single transaction.

IAS 27 revised – Consolidated and Separate Financial Statements in Accordance with IFRS (Individual Statements)

The provisions of these revised standards will be applied as of January 1, 2004. Minority interests will from then on be disclosed within the scope of equity.

IAS 32 revised – Financial Instruments: Disclosure and Presentation

IAS 32 revised defines financial instruments carried in the balance sheet and prescribes their accounting treatment more precisely. As a result, the accounting treatment for options on treasury shares has been changed retrospectively as of January 1, 2004 due to their exercise features.

Reconciliation of IFRS restatements

Consolidated balance sheet as at December 31, 2004

Balance sheet positions	Before restatement	Reclassifications	Before restatement after reclassifications	IFRS 4	IAS 39 rev. IAS 32 rev. [1]	Others	After restatement
Intangible assets	157.0	952.0	1,109.0	17.7	96.4	–/–	1,223.1
Participating interests in associates	148.2	4.4	152.6	–/–	–/–	–/–	152.6
Equity and debt securities	34,884.2	1,132.1	36,016.3	–/–	–6,050.1	–/–	29,966.2
Investments for account and risk of life insurance policyholders	1,143.6	–1,143.6	–/–	–/–	–/–	–/–	–/–
Receivables	2,132.3	–554.1	1,578.2	31.5	–/–	30.1	1,639.8
Other assets	21,155.5	–901.4	20,254.1	2.2	5,824.2	21.4	26,101.9
Total assets	**59,620.8**	**–510.6**	**59,110.2**	**51.4**	**–129.5**	**51.5**	**59,083.6**
Equity	3,546.0	–/–	3,546.0	–17.8	–88.0	57.6	3,497.8
Technical provisions	42,703.3	1,646.0	44,349.3	–1,383.7	–139.8	–/–	42,825.8
Technical provisions for account and risk of life insurance policyholders	1,143.6	–1,143.6	–/–	–/–	–/–	–/–	–/–
Liabilities from banking business and financial contracts	–/–	4,688.9	4,688.9	805.0	–/–	–/–	5,493.9
Borrowings	–/–	1,585.9	1,585.9	–/–	–/–	–/–	1,585.9
Derivative financial instruments	160.3	–/–	160.3	–/–	–/–	–/–	160.3
Liabilities	10,311.3	–5,649.4	4,661.9	647.9	98.3	–6.1	5,402.0
Other liabilities	1,756.3	–1,638.4	117.9	–/–	–/–	–/–	117.9
Total liabilities and equity	**59,620.8**	**–510.6**	**59,110.2**	**51.4**	**–129.5**	**51.5**	**59,083.6**

in CHF m

[1] incl. shadow accounting

Consolidated 1st half and annual profit 2004 (after minority interests)

	Before restatement	Reclassifications	Before restatement after reclassifications	IFRS 4	IAS 39 rev. IAS 32 rev.	Others	After restatement
Consolidated 1st half profit	**128.6**	**–/–**	**128.6**	**–0.2**	**6.8**	**0.1**	**133.5**
Consolidated annual profit	**221.7**	**–/–**	**221.7**	**–5.7**	**–7.6**	**1.6**	**210.0**

in CHF m

IAS 39 revised – Financial Instruments: Recognition and Measurement

IAS 39 revised mainly affects the Baloise Group with regard to the impairment of financial assets. Under the existing assessment for impairment on available-for-sale financial instruments with equity features, the entity is required to recognize an impairment loss if the fair value of the securities at the balance sheet date is more than 50% below purchase value. If the fair value of the securities at the balance sheet date is 20% to 50% below purchase value, the entity is required to assess whether an impairment loss needs to be recognized. In addition to carrying out the existing assessment, the entity is now also required to recognize an impairment loss if the fair value is below purchase value over a prolonged period in the 12 months prior to the balance sheet date. This new assessment for impairment is carried out irrespective of the criteria applied thus far. The Baloise Group has applied IAS 39 revised retrospectively as of January 1, 2004.

Reclassifications

In changing the balance sheet structure as a result of the restatements described, various items were reclassified or examined to establish whether they could be netted. In particular, premiums due after the balance sheet date and previously recognized as a receivable and then deferred were netted in the course of this process.

Change in the scope of consolidation

The Baloise Group did not make any major acquisitions or disposals in the first half of 2005. In adopting new accounting standards as described, the employee share foundation was retrospectively included in the consolidated group as of January 1, 2004.

Equity

In accordance with the resolution passed by the Annual General Meeting on May 18, 2005, a dividend of CHF 1.10 per share was distributed on May 23, 2005 for fiscal 2004. This equates to a dividend sum of CHF 60.8 million.

Segment reporting by region

1st half 2004 (adjusted)	Switzerland	Germany	Benelux	Other countries	Elimination	**Total**
Income	2,783.5	1,472.9	604.7	286.1	4.4	**5,151.6**
Expenses	–2,734.0	–1,394.8	–611.7	–191.2	–4.4	**–4,936.1**
Segment result	**49.5**	**78.1**	**–7.0**	**94.9**	**–/–**	**215.5**
Finance costs						**–26.2**
1st half profit before tax						**189.3**
Tax on income						**–51.9**
Group 1st half profit						**137.4**

in CHF m

1st half 2005	Switzerland	Germany	Benelux	Other countries	Elimination	**Total**
Income	2,946.2	1,446.6	455.6	308.9	–6.7	**5,150.6**
Expenses	–2,831.4	–1,397.6	–407.8	–215.3	6.7	**–4,845.4**
Segment result	**114.8**	**49.0**	**47.8**	**93.6**	**–/–**	**305.2**
Finance costs						**–29.5**
1st half profit before tax						**275.7**
Tax on income						**–58.1**
Group 1st half profit						**217.6**

in CHF m

Contingent and future liabilities

Since the last balance sheet date, the Corporate Executive Committee has not become aware of any new facts that could have a significant impact on the consolidated financial statements for the first half of 2005.

Events after the balance sheet date

As announced on June 16, 2005, Bâloise-Holding has increased its existing CHF 250 million bond 2004/2010 by CHF 100 million at an issue price of 100.92%. July 15, 2005 has been set as the payment date. This increase completes the refinancing of the CHF 600 million bond repayable on September 28, 2005.

The purchase of Aegon Lebensversicherungs-AG, Düsseldorf, announced on April 15, 2005, was effected in early July 2005. The newly acquired company will thus be included in the Baloise Group's scope of consolidation as of the second half year of 2005.

On September 1, 2005, Deutscher Ring Lebensversicherungs-AG, Hamburg, announced the opening of a branch office in Bratislava, Slovakia, as of September 6, 2005.

No other events that would have a significant impact on the first-half financial statements as a whole came to light prior to this Semi-Annual Report being finished on August 31, 2005.

Key dates and contacts

October 6, 2006
Investor Day

March 21, 2006
Annual Media Conference

March 21, 2006
Meeting of Financial Analysts

April 28, 2006
Annual General Meeting Bâloise-Holding

September 9, 2006
Half-Year Media Conference

September 9, 2006
Meeting of Financial Analysts

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Cautionary Statement

The Semi-Annual Report 2005 is selective in nature and is intended to provide an overview of the business of the Baloise. No warranty, either explicit or implied, is made as to the accuracy or completeness of the information provided in this document. The Semi-Annual Report 2005 contains projections, predictions, plans, objectives and other forward-looking statements related to the Baloise. Such forward-looking statements involve, by their nature, risks and uncertainties and can be influenced by a number of factors. Readers are cautioned that these could cause the Baloise's actual results to differ substantially from those expressed or implied in the forward-looking statements. The influencing factors include, among others, (i) changes in the general economic environment, in particular in the core markets; (ii) financial market developments; (iii) changes in interest rates; (iv) changes in foreign exchange rates; (v) changes in laws and regulations; (vi) the frequency, magnitude and general development of claims incurred; (vii) the mortality and morbidity experience; (viii) policy renewal and lapse rates. All forward-looking statements are based on information available to the Baloise on the date of printing of the Semi-Annual Report 2005 in Switzerland. The Baloise is under no obligation to update or revise such statements.

This Semi-Annual Report is also available in German and French. The German version is binding. The Semi-Annual Report 2005 is available on the Internet under www.baloise.com from September 7, 2005.