

Bâloise-Holding

Semi-Annual Report

2001

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This semi-annual report is also
published in German and French.
The German version is binding.

Forging Ahead

Dear Shareholders

In the first six months of 2001, the Baloise Group made a consolidated net profit of CHF 313 million – an increase of 2.5 percent compared with the first half of 2000. In the context of the global downturn on the capital markets, this rise in profits offers further incontrovertible evidence of the robust earnings potential and far-sighted strategic orientation of the Baloise.

_____ The positive semi-annual result is attributable primarily to healthy business in the operating insurance sector. Adjusted to take account of the special events of the previous year, the Baloise Group recorded organic growth in premiums of 9 percent. In real terms, premium income was slightly lower than for the first half of 2000.

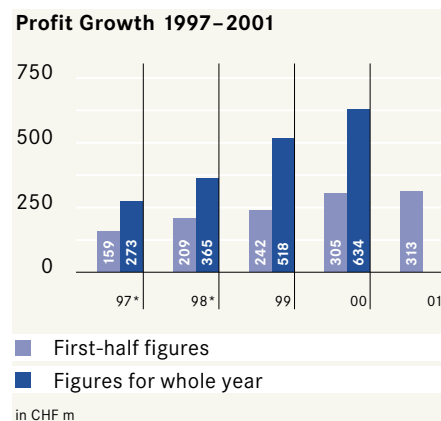
_____ The downtrend on the equity markets resulted in a decline in the value of assets under our management compared with the beginning of the year. However, as part of a conservative and highly diversified investment policy, we chose the right moment to redimension our equity portfolio and invest more heavily in fixed-income securities and real estate.

_____ Even though the present market environment makes it impossible to achieve profit growth on the same scale as last year, we believe that we will be able to present you with another positive result for 2001.



Rolf Schäuble

Chairman of the Board of Directors
and President of the Executive Committee
Basel, September 13, 2001



*Based on ARR accounting principles

Key Dates

- **April 4, 2002**
Balance Sheet Media Conference
- **April 4, 2002**
Meeting of Financial Analysts
- **May 14, 2002**
Annual General Meeting Baloise-Holding
- **September 12, 2002**
Half-Year Media Conference
- **September 12, 2002**
Meeting of Financial Analysts

Business Development in the First Half of 2001

The high-momentum transformation of the Baloise Group from an all-round insurer into an integrated financial service provider has reached the critical operational implementation phase. Many of our staff have been working extremely hard toward the goal of offering both private and corporate customers a strategic range of integrated financial services as early as the summer of 2001.

_____ With the opening of the first Baloise Bank SoBa private banking branch in Basel in June 2001, the Baloise became an undisputed pioneer in the Swiss market. For the very first time, our customers will be able to benefit from a one-stop shop offering a full range of attractive financial services in the fields of insurance, future provision and asset formation. Further private banking branches will open in St. Gallen, Zurich and Bern in September 2001.

_____ The launch of Baloise Fund Invest, featuring twelve investment funds created by the Baloise to meet a breadth of customer requirements, strengthens our range of asset formation products. Fund management has been entrusted to the new Baloise Asset Management business unit, which will also manage the securities portfolios of all Group companies, the pension fund and the Baloise Investment Foundation centrally in the future.

Business Segments

With a premium volume of CHF 1,719 million, the *nonlife segment* recorded gratifying growth of 6 percent. Despite a costly liability case, the loss ratio was slightly lower overall and, by and large, there were no natural disasters or other major claims. The long-established risk-optimized underwriting policy proved its worth. Distribution and administration costs were down year-on-year, despite investment in the expansion of electronic distribution channels. The combined ratio (claims incurred, plus costs, plus dividends to policyholders as a percentage of premium income) was improved to an excellent 103 percent, compared with 107 percent for the previous year. Once again, the nonlife segment was a major contributor to consolidated net profit.

_____ Premium income in the *life segment* was CHF 2,500 million. This represents organic growth of 11 percent when the CHF 400 million in premium income associated with last year's takeover of the Sarasura collective foundation is factored out. Premiums were down by 5 percent compared with the figures published for the first half of 2000. In addition to excellent rates of expansion in Belgium and Luxembourg, the private and collective single premiums generated from satisfyingly lively demand in the Swiss market were another significant contributor to growth.

As already planned last year, we reduced the equity weighting of our investment portfolio to 25 percent in the first quarter of 2001. Although this resulted in attractive gains, they were still just under the figures for the corresponding year-back period.

As of June 30, 2001, the investments managed by the Baloise came to CHF 57.0 billion.

With a contribution of CHF 7 million to the Group result, banking activities developed positively compared with the first half of 2000.

First-half consolidated net profit was CHF 313 million – 2.5 percent up on the result for the first six months of 2000. Earnings per share rose by 4.9 percent year-on-year.

Results by Business Segment	1st half	Gross premiums 1st half	1st half	Profit before taxes and minority interests 1st half
	2000	2001	2000	2001
Non-life	1,627.2	1,719.1	288.4	233.6
Life	2,645.3	2,500.0	138.4	155.5
Banking			- 33.6	6.8
Other activities			- 1.8	14.0
Elimination	- 59.8	- 57.2	-	-
Total	4,212.7	4,161.9	391.4	409.9

in CHF m

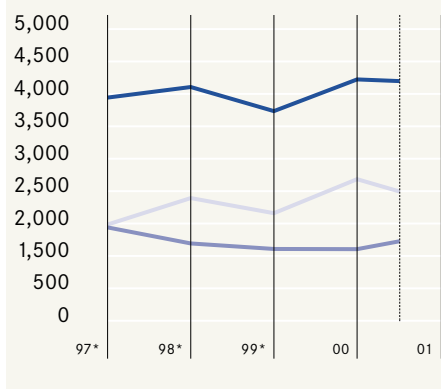
Results by Geographical Segment	1st half	Gross premiums 1st half	1st half	Profit before taxes and minority interests 1st half
	2000	2001	2000	2001
Switzerland	2,830.6	2,710.9	284.0	312.9
Germany	911.6	927.9	20.4	49.2
Benelux countries	360.9	403.7	6.1	13.7
Other countries	252.9	235.8	80.9	34.1
Elimination	- 143.3	- 116.4	-	-
Total	4,212.7	4,161.9	391.4	409.9

in CHF m

Core Markets

The *Baloise in Switzerland* pushed ahead rapidly with strengthening its image as an integrated financial service provider. Nonlife operations recorded a 5 percent rise in premium income, while the life business also posted pleasing organic growth of 15 percent. Linking Baloise Bank SoBa to the business processes of the insurance business, the focus on new customer groups and the integration of the bank into the Group's overall visual identity are all proceeding apace and on schedule. A large number of field staff have been trained as bancassurance specialists and are now qualified to offer their customers tailor-made banking and insurance solutions.

Premium Development, First Half, 1997–2001



■ Total premiums	4,162
■ of which non-life	1,719
■ of which life	2,500
Elimination	- 57

in CHF m

*Based on ARR accounting principles

_____ In *Germany*, the projects launched a year ago to improve efficiency, streamline the portfolio and optimize collaboration between the Group's two German operating units are progressing on schedule and will begin to have a phased impact on earnings from as early as 2002. In non-life business, both *Deutscher Ring* and the *Baloise* branches in *Bad Homburg* reported pleasing growth and benefited from the continued low level of claims. To some extent, the success of fund-linked products was achieved at the expense of the traditional life business, which posted a 3 percent fall in premium income. The German operations markedly improved their contribution to profits, mainly thanks to the sharply improved – although still slightly negative – earnings at *Deutscher Ring Bausparkasse*.

_____ The Belgian Group company *Mercator & Noordstar* achieved a moderate growth in premium income in non-life business. The announced program of optimizing automobile insurance policies made progress, and positive results are already being reflected in a reduction in the loss ratio.

_____ The *Baloise in Luxembourg* continued to benefit from a favorable economic climate and achieved satisfying premium growth in both life and non-life operations. This combined with an encouraging claims trend to underpin this business unit's traditionally very positive earnings.

_____ With a small improvement in claims, figures for the *Baloise in Austria* were little changed from the previous year's results.

_____ The insurance portfolio of the Spanish Group company *Baloise (España) Seguros y Reaseguros* is to be taken over by the Fortis Group, subject to the approval of the Spanish authorities.

Shareholders' Equity

Since the end of 2000, consolidated shareholders' equity has fallen by CHF 1,123 million to CHF 6.2 billion – the main reason being depressed equity markets. Consequently, unrealized gains on investments (after the deduction of deferred taxes and policyholders' share of profit) are CHF 1,062 million lower. The capital transaction approved in May 2001 will have a positive impact, thanks to consolidation of earnings per share.

Changes in Share Ownership

According to the announcement of May 22, 2001, via subsidiaries and affiliated companies *Zurich Financial Services* holds 20.13 percent of the shareholders' equity of *Baloise-Holding* and call options on 7.13 percent.

_____ As at June 30, 2001, the *BZ Group* was entered in the *Baloise-Holding* share register with an 11.41 percent shareholding.

_____ Both Groups were entered as holding 117,240 registered voting shares. This corresponds to 2.1 percent of shareholders' equity as at June 30, 2001.

Consolidated Income Statement

INCOME	1st half	1st half
	2000	2001
Gross premiums written and policy fees ¹	4,212.7	4,161.9
Reinsurance premiums ceded	- 132.7	- 119.2
Premiums written and policy fees for own account	4,080.0	4,042.7
Change in unearned premiums reserves for own account	- 264.1	- 343.2
Premiums earned and policy fees for own account	3,815.9	3,699.5
Investment income (net)	1,005.9	1,099.4
Realized gains and losses on investments (net)	423.3	461.6
Income from other services	123.1	148.6
Other income	34.2	56.4
Total income	5,402.4	5,465.5

EXPENSES

Claims incurred including processing costs (non-life)	- 864.6	- 865.2
Claims and benefits paid (life)	- 1,462.1	- 1,538.7
Change in actuarial reserve (life)	- 1,325.4	- 1,107.7
Surplus and profit allocations to policyholders	- 471.6	- 388.4
Acquisition costs	- 165.6	- 160.4
Administrative and other operating expenses	- 568.3	- 663.2
Interests payable	- 111.7	- 273.9
Amortization of intangible assets and depreciation of tangible non-current assets	- 41.7	- 58.1
Total expenses	- 5,011.0	- 5,055.6

1st half profit before taxes and minority interests	391.4	409.9
Taxes on income	- 79.2	- 97.6
1st half profit after taxes before minority interests	312.2	312.3
Minority interests	- 6.8	0.8
Consolidated 1st half profit	305.4	313.1

in CHF m

1st half earnings per share

Identical values for "diluted" and "basic"	54	56
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in CHF

¹ Additional information

Gross premiums written and policy fees	4,212.7	4,161.9
Investment-type premiums	85.2	96.0
Gross premiums, policy fees and investment-type premiums	4,297.9	4,257.9

in CHF m

In accordance with the accounting policies of the Baloise Group, investment-type premiums are not included in gross premiums and policy fees.

Consolidated Balance Sheet

ASSETS	12.31.2000	6.30.2001
Investments		
Fixed-interest securities		
Held for trading	499.9	503.7
Held to maturity	160.7	164.0
Available for sale	17,438.5	19,796.1
Shares		
Held for trading	195.9	192.5
Available for sale	15,978.4	12,763.3
Derivatives	85.9	19.2
Investment property	4,965.8	4,987.4
Mortgage loans	10,438.7	10,566.4
Policy and other loans	1,856.7	1,784.9
Participating interests in associates	316.3	412.3
Other short-term investments	558.1	842.8
Total investments	52,494.9	52,032.6
Total investments for unit-linked life insurance	362.4	419.1
Intangible and tangible non-current assets		
Goodwill	129.6	121.8
Present value of profits from insurance contracts acquired	-	-
Other intangible assets	103.2	105.7
Property, plant and equipment for own use	687.8	678.1
Other tangible non-current assets	80.7	79.4
Total intangible and tangible non-current assets	1,001.3	985.0
Other assets		
Cash and cash equivalents	759.9	695.3
Investments and deposits arising from reinsurance business	558.9	597.4
Receivables arising out of insurance operations	1,305.9	1,233.0
Assets relating to employee benefits	51.9	54.5
Other receivables	876.9	1,088.4
Accrued investment income	633.6	600.0
Deferred acquisition costs	409.0	618.0
Deferred tax	447.2	472.4
Other assets	376.8	372.6
Total other assets	5,420.1	5,731.6
Total assets	59,278.7	59,168.3

in CHF m

LIABILITIES AND EQUITY12.31.2000 **6.30.2001****Capital and reserves**

Share capital	56.7	56.7
Capital reserves	81.2	107.1
Less: treasury stock	- 94.7	- 359.0
Unrealized gains and losses	3,858.0	2,405.7
Accumulated profit	3,471.6	4,039.1
Total capital and reserves	7,372.8	6,249.6
Minority interests	46.2	46.8

Liabilities

Unearned premiums reserves (gross)	629.9	1,316.9
Loss reserves (gross)	4,021.5	4,123.5
Actuarial reserve life (gross)	26,314.5	27,115.8
Provision for future surplus sharing and security deposits	3,533.5	3,530.2
Technical provisions for unit-linked life insurance	356.7	413.0
Payables arising out of insurance operations	2,584.9	2,565.8
Deposit fund liabilities arising from reinsurance	281.7	262.6
Loans and amounts due to banks	10,048.9	9,919.2
Derivatives	84.2	74.0
Non-technical provisions	127.5	139.0
Benefits due to employees	563.6	569.8
Deferred taxes	1,946.8	1,815.0
Other liabilities and deferred income	1,366.0	1,027.1
Total liabilities	51,859.7	52,871.9
Total liabilities and equity	59,278.7	59,168.3

in CHF m

Consolidated Equity

	Share capital	Capital reserves	Less: treasury stock	Unrealized gains and losses (net)	Accumulated profit	Total capital and reserves
Balance at December 31, 2000	56.7	81.2	- 94.7	3,858.0	3,471.6	7,372.8
Application of IAS 39 (Financial Instruments) and IAS 40 (Investment Property)	-	-	-	- 390.5	390.5	0.0
Balance at December 31, 2000 (adjusted)	56.7	81.2	- 94.7	3,467.5	3,862.1	7,372.8
Movement on unrealized gains and losses on investments (net)	-	-	-	- 1,061.8	-	- 1,061.8
Dividends	-	-	-	-	- 136.1	- 136.1
Consolidated 1st half profit	-	-	-	-	313.1	313.1
Purchase/sale of treasury stock	-	25.9	- 264.3	-	-	- 238.4
Purchase/sale of options on treasury stock	-	-	-	-	-	-
Issue/repayment of share capital or share options	-	-	-	-	-	-
Balance at June 30, 2001	56.7	107.1	- 359.0	2,405.7	4,039.1	6,249.6

in CHF m

Consolidated Cash Flow Statement (Abridged)

	1st half 2000	1st half 2001
Cash flow from operating activities	854.8	1,037.7
Cash flow from investing activities	- 1,451.2	- 877.4
Cash flow from financing activities	498.3	- 224.9
Effect of foreign exchange rate changes on cash and cash equivalents	- 6.0	0.0
Total movement in cash and cash equivalents	- 104.1	- 64.6
Cash and cash equivalents		
As at January 1	726.4	759.9
Change in 1st half	- 104.1	- 64.6
As at June 30	622.3	695.3

in CHF m

Notes to the Consolidated First-Half Financial Statements

Basis of Accounting

The Semi-Annual Report – which has not been verified by the auditors – was prepared in accordance with International Accounting Standards (IAS) on the basis of IAS 34 by way of interim reporting. The first-half report should be read in conjunction with the 2000 Consolidated Financial Statements. The result of the insurance operations of the Baloise Group is not subject to any pronounced seasonal fluctuations. The statements for the first half of 2000 have been adapted to the new accounting principles and republished. The general principles and accounting standards have not changed in comparison with 2000, apart from the following exceptions:

_____ *IAS 39 – Financial Instruments: Recognition and Measurement.* This standard contains comprehensive rules on the accounting treatment of financial instruments, which also include conventional financial assets and liabilities and derivative financial instruments. The standard requires all financial instruments to be reported on the balance sheet and valued strictly at market values and also deals with hedging transactions. For the Baloise Group the main impact relates to the consolidation of the German special funds and to the fact that foreign currency differences affecting monetary financial assets classified as *available for sale* are accounted for in the income statement.

_____ *IAS 40 – Investment Property.* This standard requires property to be valued at market value – as has already been the case up until now – and requires changes in value to be accounted for in the income statement.

_____ The introduction of these two new IAS standards as of January 1, 2001, means that a net sum of CHF 390.5 million *unrealized gains and losses* is now assigned to accumulated profit.

Change in the Scope of Consolidation

In the first half of 2001, the Baloise Group did not make any major acquisitions or disposals.

Bonds

No new issues or redemptions took place in the first half of 2001.

Equity

On May 16, 2001, a dividend of CHF 24 per share was paid out for fiscal 2000 in accordance with the resolution of the General Meeting held on May 11, 2001. This corresponds to a total dividend of CHF 136.1 million.

_____ The General Meeting held on May 11, 2001, also decided to buy back 139,685 Baloise-Holding shares at a price of CHF 2,100 per share. For this purpose, each share was allocated a free put option. The shares bought back for a total of CHF 293.3 million will not be canceled until the second half of 2001. As of the balance sheet reference date, they form part of the 193,685 shares held by the company.

_____ The decision of the General Meeting on May 11, 2001, to reduce the nominal value of the shares by CHF 9 to CHF 1 by means of a repayment to shareholders and to subsequently perform a 10 for 1 share split was implemented on July 24, 2001. Since then, the share capital of CHF 5.5 million has consisted of 55,307,150 shares with a nominal value of CHF –.10 each.

Contingent Liabilities and Commitments

Since the last balance sheet date the Corporate Executive Committee is not aware of any new facts that could have a significant impact on the consolidated accounts for the first half of 2001. This also applies to a civil lawsuit relating to the minority stake in Tirrena, Rome, sold off in 1990. In a judgment handed down by a judge sitting alone in the court of first instance in Rome, the Baloise was ordered to pay around CHF 70 million. The decision has yet to be served. The Baloise will appeal the decision and sees little likelihood of a capital outflow. Funds have therefore only been set aside to cover defense costs.

Events after the Balance Sheet Date

Up until the completion of the present consolidated first-half accounts on September 6, 2001, no events came to light which would have a significant impact on the overall result for the first half of the year.

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Outlook for Full Year 2001

We expect premiums in the insurance segment to maintain their healthy uptrend in the second half of 2001. Despite uncertainty about economic prospects, we are confident that we will reach our premium target of CHF 6.4 billion and organic growth of 2 – 3 percent by the end of the year. Given a sustained favorable level of claims and on the basis of our continuing cost efficiency, we expect the combined ratio in the nonlife segment to improve compared with 2000. In the banking sector, we will maintain our fast pace of expansion of both the range of services we offer and our distribution channels. In view of the unpredictable outlook for the capital markets, we believe that any specific statements with regard to investment income and thus the Group results as at year-end would be premature at this point in time.

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