

# Half-Year Report 2010

## Bâloise Holding Ltd



# Content

## Baloise Half-Year Report 2010

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# Key figures

	30.6.2009	31.12.2009	30.6.2010	Change in %
in CHF million				
<b>Business volume</b>				versus 30.6.09
Gross premiums written, nonlife	2,068.8	3,136.4	2,084.5	0.8
Gross premiums written, life	2,423.2	3,723.4	2,493.1	2.9
<b>Subtotal of IFRS gross premiums written<sup>1</sup></b>	<b>4,492.0</b>	<b>6,859.8</b>	<b>4,577.6</b>	<b>1.9</b>
Investment-type premiums	499.3	2,905.6	1,526.1	205.6
<b>Total business volume</b>	<b>4,991.3</b>	<b>9,765.4</b>	<b>6,103.7</b>	<b>22.3</b>
in CHF million				
<b>Business result</b>				versus 30.6.09
Half-year profit/ loss before borrowing costs and taxes				
Nonlife	229.3	382.6	274.8	19.8
Life <sup>2</sup>	54.0	151.0	10.2	-81.1
Banking	30.2	61.0	32.9	8.9
Other activities	-11.3	-32.5	-1.8	-84.1
<b>Half-year consolidated profit</b>	<b>234.6</b>	<b>421.0</b>	<b>213.5</b>	<b>-9.0</b>
in CHF million				
<b>Balance sheet</b>				versus 31.12.09
Investments including investment-type insurances <sup>3</sup>	58,558.8	62,356.4	61,553.0	-1.3
Technical reserves	45,948.2	45,344.2	45,022.7	-0.7
Equity	4,000.4	4,510.0	4,161.2	-7.7
in percent				
<b>Ratios</b>				
Combined ratio, nonlife (gross)	88.1	91.2	88.3	
Combined ratio, nonlife (net)	90.6	94.4	90.2	
in percent				
<b>Key share figures</b>				versus 31.12.09 <sup>4</sup>
Shares issued in units	50,000,000	50,000,000	50,000,000	
Consolidated profit per share basic in CHF	4.75	8.64	4.42	-6.9
Consolidated profit per share diluted in CHF	4.73	8.57	4.40	-7.0
Equity per share in CHF <sup>5</sup>	79.0	90.1	86.7	-3.8
Closing price in CHF	80.65	86.05	75.55	-12.2
Market capitalisation in CHF million	4,032.5	4,302.5	3,777.5	-12.2

1 Premiums written and policy fees, gross.

2 Of which latency calculation effects from other operating segments:

30 June 2009 CHF -7.5 million/31 December 2009 CHF 6.9 million/30 June 2010 CHF -9.9 million.

3 Assets for the account and at the risk of life insurance policyholders.

4 Changes in consolidated profit per share versus 30 June 2009.

5 Calculated based on consolidated equity before minority interests and average number of outstanding shares.



Dr Rolf Schäuble, Chairman of the Board of Directors (right),  
and Dr Martin Strobel, CEO of Baloise Group (left)

## DEAR SHAREHOLDERS

Baloise performed well in the demanding environment of the first half-year. The strong growth proves that a growing number of customers are placing their trust in us and that existing customers are deepening their relations to us. Not least, because we were able to further substantiate our promise “Making you safer” by continuing to expand our support for customers to help prevent damage. Our earning power remains solid, despite challenges due to low interest rates and weak stock markets, major elementary losses and adverse influences of the euro.

We are on course for our strategic goal: We aim to be one of Europe’s most profitable and fastest-growing insurers by 2012. We are already growing distinctly above the market average in some of our markets. In Germany, we were able to reach an agreement with Signal Iduna on the unwinding of Deutscher Ring in June. This now permits us to drive the integration of the German business units. This will enable us to create an efficient platform for further significant growth in this important market and in addition achieve

substantial synergies. We realised further selective acquisitions in the context of our growth strategy: We consolidated Fortis Luxembourg IARD, acquired in January 2010, for the first time, and in July 2010, we signed the purchase agreement for the Belgian nonlife insurer Avéro, which will further improve our position in this market. The Group-wide cost optimisation measures have had a positive effect on the operational earning power.

In the difficult market environment with major claims and elementary claims as well as challenging financial markets, Baloise achieved a **half-year profit** of CHF 213.5 million, which is 9.0% below the previous year’s result of CHF 234.6 million. The result before tax was above that of the previous year. Business volume developed extremely well: It rose by 24.5% in local currencies and by 22.3% in Swiss francs to CHF 6,103.7 million (previous year: CHF 4,991.3 million).

**Investments** achieved an excellent result. The net gains rose by 34.2% to CHF 1,028.0 million (previous year: CHF 766.3 million). This equates to a non-annualised net return of 1.9%.



Consolidated **equity** decreased in the first half-year by 7.7 % to CHF 4,161.2 million, compared with CHF 4,510.0 million at the end of 2009 due to the weak euro and the effects of deconsolidation in Germany. Group solvency was an excellent 234 %, a peak value in Europe.

Influenced by the tense economic situation and the uncertainties on the financial markets in the second quarter, the price of the **Baloise Share** dropped by 12.2 % to CHF 75.55. With this result, the share was within the industry average and merely yielded part of its above-average positive performance of the past five years.

The business segment **Switzerland** produced a convincing performance statement despite negative currency and interest rate influences. Profit before borrowing costs and taxes amounted to CHF 103.4 million. We are delighted with the growth of the business volume totalling 3.6 %, to which the nonlife business and life insurances contributed. Largely growth lay distinctly above the Swiss market average. Innovative pension solutions partially compensated the weak demand for traditional pension insurance policies. The excellent combined ratio of the nonlife business of 84.2 % bears witness to the to the high efficiency of the Swiss unit.

The **international business** proved to be an important earnings and growth pillar in the Baloise Group. Mainly we achieved considerable growth in business volume, which is in some areas distinctly above the market average. Particularly encouraging are the developments in Belgium, Austria, Luxembourg and that of Baloise Life in Liechtenstein. The unfavourable euro exchange rate affected the growth figures reported in Swiss francs. The German units achieved a good result despite storm damage and industrial claims. The Belgian Mercator performed very convincingly: It achieved significant business growth in the nonlife division and in life insurance policies, as well as a distinctly higher profit. We continued the growth trend realised for years in Luxembourg and in Austria in the first half of 2010, too, and raised the profitability of these units. The integration of what were formerly three companies was successfully completed in Croatia. The new unit achieved its first positive business result. The small Serbian company that is still in the start-up phase continues to grow. Baloise Life in Liechtenstein which sells innovative life insurance policies through the Baloise sales network and third parties, again achieved significant increases in business volume.

The **nonlife** division was again the foundation of the sound condition of the Baloise Group. Despite elementary and other major claims, the combined ratio, which was already excellent last year, dropped again, while the result before borrowing costs and taxes increased by 19.8 %. Business volume also increased in this competitive but nonetheless high-margin sector by 3.2 %, in Swiss francs by 0.8 %.

The **life insurances** division increased the business volume in local currencies by 39.5 %, in Swiss francs by 37.5 %; the main contribution to this significant gain was made by the investment-type life insurances of Baloise Luxembourg and Baloise Life. The profit before borrowing costs and taxes fell significantly, above all because of the very low interest rates and the weak euro.

Building on our efficient and profitable core business we aim to achieve a return on equity over the insurance cycle of 15 % as hitherto and continue to steadily increase earnings per share. In the nonlife business we aim to continue to keep the combined ratio appreciably below 100 %. By 2012, we aim to have increased earning power sustainably by CHF 200 million with the strategic programme "Baloise 2012".

Basel, August 2010



**Dr Rolf Schäuble**

Chairman of the Board  
of Directors



**Dr Martin Strobel**

Chief Executive Officer

## Strong growth and solid earnings situation

### OVERVIEW OF THE BUSINESS DEVELOPMENT

The 2010 half-year result of the Baloise Group is characterised by the excellent business growth and the solid operating performance, which was especially distinctive in the nonlife sector. Low interest rates, the weak euro and the higher claims burden due to natural disasters and other major claims dampened the result. At CHF 316.1 million, the result before borrowing costs and taxes, was 4.6% above that of the previous year. The net profit of CHF 213.5 million remained 9.0% below the previous years' value of CHF 234.6 million; however, the previous years' profit benefited from a one-off, positive tax effect. While the profit of the nonlife division increased appreciably compared to the first half-year 2009, thanks to a very sustainable business portfolio and the effective cost optimisation, the result of the life insurances fell due to the sharp decline in interest rates. The excellent investment result contributed substantially to the half-year profit. The earning power of Baloise is also reflected in the very solid balance sheet and the comfortable solvency margin. Business volume developed extremely well: It increased by 24.5% in local currencies to CHF 6,103.7 million (previous year: CHF 4,991.3 million). As a result of the weak euro the increase in Swiss francs turned out slightly weaker at 22.3%. Premiums according to IFRS accounting standards (without investment-type life insurances) amounted to CHF 4,577.6 million (previous year: CHF 4,492 million). This equates to a plus of 3.6% in local currencies and 1.9% in Swiss francs.

### BUSINESS VOLUME 2009 (GROSS) BY STRATEGIC BUSINESS UNITS

in percent

Switzerland	49.0
Germany	18.5
Belgium	7.0
Luxembourg	10.2
Other units and Group business	15.3

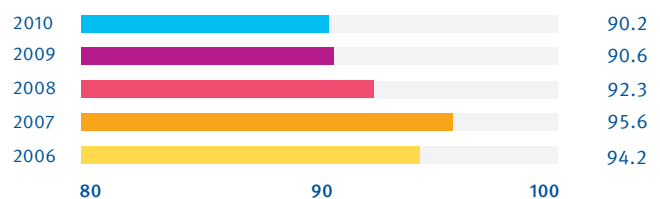


The **nonlife division** (loss and personal insurances) was encouraging with an excellent technical result. Despite the considerable claims burden from the storm Xynthia and other major claims, the net combined ratio at 90.2% again

improved compared to the already low value of 90.6% of the previous year. The main factors for this success are the sustainable value of the business portfolio as well as the noticeably lower costs due to numerous measures to promote growth and efficiency that were implemented. The division achieved – partly thanks to the positive prior years' loss development – a profit before borrowing costs and taxes of CHF 274.8 million (previous year: CHF 229.3 million); this is an increase of 19.8%. Business volume (identical to the IFRS gross premiums) amounted to CHF 2,084.5 million (previous year: CHF 2,068.8 million), a plus of 3.2% in local currencies or 0.8% in Swiss francs.

### COMBINED RATIO NET PERFORMANCE, HALF-YEAR FIGURES

in percent



The **life insurances** division achieved a profit before borrowing costs and taxes of CHF 10.2 million (previous year: CHF 54.0 million). The decline in earnings is above all due to the strengthening of reserves, the drop in interest rates and the weak euro. In contrast, business volume in Swiss francs rose by an outstanding 37.5% to CHF 4,019.2 million (previous year: CHF 2,922.5 million) and by 39.5% in local currencies. Especially distinct growth was posted by the investment-type life insurances of Baloise Luxembourg, Baloise Life in Liechtenstein and Mercator in Belgium. Embedded value dropped in the first half-year 2010 to CHF 2,631.1 million (previous year: CHF 2,826.9 million). This equates to a negative return on embedded value of 6.9%. The lower economic assumptions led to a reduction of embedded value by CHF 263.1 million. The value of new business amounted to CHF 11.5 million. The new business margin decreased to 7.4% (previous year: 15.3%). This reduction is also due to the lower economic assumptions.

The **banking** division achieved a profit before borrowing costs and taxes of CHF 32.9 million (previous year: CHF 30.2 million). Although the interest-margin based activities

ASSET ALLOCATION, INSURANCE<sup>1</sup>

	30.6.2009			30.6.2010		
	Nonlife	Life	Total	Nonlife	Life	Total
in CHF million						
Investment properties	903.4	4,063.1	4,966.5	804.6	4,070.5	4,875.1
Shares	525.3	1,988.0	2,513.3	690.2	1,181.2	1,871.4
Alternative financial assets	301.4	1,103.1	1,404.5	279.1	1,033.1	1,312.2
Fixed-income securities	5,132.5	18,701.6	23,834.1	5,105.1	19,733.4	24,838.5
Mortgage assets	427.5	4,558.6	4,986.1	413.3	4,298.8	4,712.1
Policy and other loans	1,258.8	7,363.8	8,622.6	947.0	6,486.8	7,433.8
Derivative financial instruments	9.3	57.7	67.0	27.2	274.0	301.2
Cash and cash equivalents	374.3	1,320.6	1,694.9	423.5	1,542.2	1,965.7
<b>Total</b>	<b>8,932.5</b>	<b>39,156.5</b>	<b>48,089.0</b>	<b>8,690.0</b>	<b>38,620.0</b>	<b>47,310.0</b>

<sup>1</sup> Excluding assets for the account and at the risk of life insurance policyholders.

came under pressure due to market conditions, the profit could be increased through the inflow of new assets and implementing efficiency measures.

**Investments** achieved an excellent result in an uncertain environment. The net income amounts to CHF 1,028.0 million (previous year: CHF 766.3 million). This equates to a net return of 1.9% (non-annualised, by cost). The recurrent revenue contributed CHF 942.8 million to this result (previous year: CHF 984.3 million). IFRS performance at 2.2% (non-annualised, by cost) was positive despite weak stock and currency markets.

After initially performing positively, the bond and stock markets were shaken by the debt crisis particularly in southern European countries. Returns on first-class government bonds reached record lows, while the interest on bonds of countries bordering the Eurozone increased markedly. Here the Swiss franc remained true to its reputation as a safe haven. Despite interventions by the Swiss National Bank, the value of the euro fell significantly against the Swiss franc (-10.9%). After a volatile course, the exchange rate of the US dollar was higher than at the end of 2009.

In light of growing concerns regarding the debt crisis, we raised the currency hedge on existing bonds of the Swiss units considerably at the end of April. However, in line with our investment strategy, we continue to abstain from hedging shares against currency losses. The same is true for revenue streams from foreign units, so that their contribution to the result in Swiss francs is also negatively influenced by currency translation. Therefore, the currency derivatives

implemented only partially compensate the negative development of the euro.

The market values of government bonds of countries bordering the euro zone that came under pressure were more than fully offset by fair value gains of first-class borrowers. A moderate 2.4% of our investments are bonds of PIIGS countries\*. The impairments totalling CHF 2.4 million are insignificant in comparison to the total investments.

Equities and equity-related investments made up 5.0% of investments at the end of the half-year (end 2009: 5.9%). Whereby the nonlife units hold significantly higher equity ratios than the life units. Lower evaluations as well as the development of the euro resulted in impairments (gross, before policyholders' share) of CHF 63.1 million. Private equity investments recovered slightly. We reduced the weighting of the equity-related strategies in the hedge funds.

The valuation of the property investments remained stable; the return contribution remains at a high level. No impairments had to be performed on mortgage bonds.

Due to the weak euro, the outflow of dividends as well as the deconsolidation of the OVB Group as part of the unwinding of companies in Germany, **consolidated equity** decreased in the first half-year by 7.7% to CHF 4,161.2 million. Group solvency was an excellent 234% (previous year-end: 230%), a peak value in Europe.

\*Portugal, Italy, Ireland, Greece, Spain

## DEVELOPMENT IN THE REGIONAL MARKETS

### Switzerland

The business segment Switzerland was convincing with its high earning power as well as strong business growth. Profit before borrowing costs and taxes amounted to CHF 103.4 million (previous year: CHF 157.1 million). Business volume amounted to CHF 2,994.7 million (previous year: CHF 2,889.8 million), an encouraging increase of 3.6%. The growth stems mainly from the division nonlife as well as from occupational pension insurance (group life). Swiss business growth was appreciably above the market average in these two sectors.

The **nonlife** division again proved its excellent earning power. With a gross rate of 84.2% the combined ratio was again at a very good level. Various different measures aimed at increasing operational efficiency contributed to the good technical result, the effect of which is reflected in the lower expense ratio. The division's business volume reached CHF 1,002.8 million (previous year: CHF 982.0 million). The increase of 2.1% is significantly above the average of the Swiss insurance branch. Accident insurances provided strong growth impulses. The new business was especially encouraging in the motor insurance business.

The result of the **life insurances** division was heavily affected by the negative interest rate development. Business volume was all the more encouraging. At the end of the half-year it amounted to CHF 1,991.9 million (previous year: CHF 1,907.8 million). The plus of 4.4% in the generally contracting Swiss market is a convincing statement of performance. The occupational pension business developed very positively. Growth of 6.7% was achieved here. In the individual life insurance sector, the new product types with capital guarantee (Rentasafe) were partly able to compensate the poor demand for traditional pension insurances.

The **focused financial service provider** business model – the sale of banking products through the insurance sales force – continued to be successful. The volume of new business amounted to CHF 362.0 million, an increase of 28%.

**Baloise Bank SoBa** was able to continue growing in the first half-year of 2010, in the local domestic market as well as throughout Switzerland where it operates together with Baloise Insurance. The inflow of new customer money to the bank totalled CHF 170 million, which equates to an attractive plus of 3.1%. The balance sheet total increased by 2.8% and amounted to CHF 6.3 billion at the end of the half-year. The

bank's net profit (according to local accounting standards) increased slightly to CHF 11.9 million (previous year: CHF 11.8 million) despite the difficult general conditions. This can be attributed mainly to the systematic cost management and the introduction of a more efficient IT system.

### Germany

The segment Germany proved to be profitable; it achieved a profit before borrowing costs and taxes of CHF 78.0 million (previous year: CHF 39.5 million). Effects from the unwinding, lower costs and the financial result had a positive impact. Storm damage and other major claims as well as the strengthening of reserves dampened the result. Business volume totalled CHF 1,129.1 million (previous year: CHF 1,179.1 million). This equates to a currency-related decrease of 4.2% and a gain in local currency of 0.3%. The German property and casualty insurance business achieved a business volume of CHF 610.0 million. The growth of 1.3% in local currency was above the market average. Due to the major claim events mentioned, the gross combined ratio increased to 99.5% (previous year: 94.2%). On the other hand, the costs decreased thanks to the strict cost management and as a result of the unified management. The business volume of the life insurances amounted to CHF 519.1 million, which equates to a decrease in local currency of 0.9%. In June 2010, Baloise and Signal Iduna agreed to unbundle Deutscher Ring Leben and Sach belonging to Baloise from the Deutscher Ring Kranken. This milestone permits the integration of all German Baloise units in order to create an efficient platform for further growth. Baloise placed the German units under central management at the end of 2008.

### Belgium

The segment Belgium with the business unit Mercator achieved a profit before borrowing costs and taxes of CHF 102.0 million (previous year: CHF 34.2 million). This was positively impacted by prior years' loss development. Business volume amounted to CHF 427.0 million (previous year: CHF 412.1 million); the significant growth of 8.5% in local currency and 3.6% in Swiss francs is above the market average. The growth in the nonlife business amounted to 4.4% in local currency, that of the life insurances to 23.5%. Here growth was mainly driven by the investment-type life insurances. The nonlife sector developed very well, supported by the positive prior years' loss development: The combined



ratio improved to 79.2% (previous year: 96.8%). In July 2010, Baloise signed the purchase agreement for the nonlife insurer Avéro, which will strengthen Mercator's market position distinctly. The transaction is to be completed in the second half-year of 2010.

#### Luxembourg

Baloise Luxembourg can look back on a very successful first half of 2010. In the domestic market it again recorded very strong growth; the total IFRS gross premiums increased in local currency by 41.3% to CHF 86.8 million (previous year: CHF 64.3 million). Baloise Assurance IARD S.A., which was consolidated for the first time in this period, contributed CHF 19.4 million to this result. Growth in the nonlife business amounted to 6.7%, adjusted by the acquisition of the former Fortis Luxembourg IARD, that of the classic life insurances 13.2%. The gross combined ratio amounted to an outstanding 79.5% (previous year: 95.6%). The portfolio stemming from Fortis had a positive effect while storm damage dampened the figure. The sale of investment-type life insurances in the EU zone nearly doubled compared to the previous year and reached a volume of CHF 534.1 million.

#### Other Units

**Baloise Austria** continued its strong growth of previous years and improved its result contribution considerably supported by the consistent cost management. It achieved a business volume of CHF 83.7 million (previous year: CHF 82.1 million); this is a gain of 6.8% in local currency and 1.9% in Swiss francs. The increase was striking (in local currency) both in the nonlife business at 7.4% as well as in the life insurances segment at 5.1%. The gross combined ratio dropped to a gratifying 97.6% (previous year: 99.8%). The units in **Croatia** and **Serbia** achieved a business volume of CHF 41.9 million (previous year: CHF 47.7 million). The decrease is due to recessive effects in the life insurance segment. Premium development was above the market average in the nonlife business. Basler osiguranje Zagreb achieved a slight profit for the first time since completion of the integration under company law. The small Serbian unit still in the start-up phase is growing steadily.

**Baloise Life** domiciled in Liechtenstein achieved a business volume of CHF 796.3 million (previous year: CHF 104.3 million) with its investment-type life insurances, supported by the extension of the Italian tax amnesty and through the growth in variable annuities.

#### Group Business

The profit before borrowing costs and taxes of the units for internal reinsurance and financing, corporate IT as well as the holding companies of CHF 31.3 million (previous year: CHF 78.7 million) is strongly reduced due to the marked negative currency development.

#### Outlook

Building on our efficient and profitable core business we aim to – as before – achieve a return on equity over the insurance cycle of 15% and continue to steadily increase earnings per share. In the nonlife business we aim to continue to keep the combined ratio appreciably below 100%. By 2012, we aim to have increased the the earning power sustainably by CHF 200 million with the strategic programme “Baloise 2012.”

### BALOISE SHARE

The tense economic situation, low interest rates as well as high market uncertainties put financial stocks under pressure in the second quarter. This development also had an impact on the Baloise share\*. It closed at CHF 75.55 on 30 June 2010, 12.2% lower than at the beginning of the year. This means that the share yielded part of its above-average positive performance of the past five years. The Swiss Market Index also lost 6.7% of its value. The European Insurance Industry Index had to accept a loss of 7.3% in the first half of the year.

A total of 326,057 shares were bought back in the first half of 2010 as part of the share buy-back programme started in September 2008, which was extended in May 2009 by a further year to 28 April 2011. The buy-back covers a maximum of 2,000,000 registered shares; this equates to 4% of the shares issued. By 30 June 2010, 1,507,592 shares had been bought back. This is approximately 75% of the total buy-back programme.

There were no significant changes to the shareholder structure in the first half-year 2010.

\*Baloise share = share of Baloise Holding Ltd

### KEY SHARE FIGURES

	30.6.2009	31.12.2009	30.6.2010	Change in % versus 31.12.2009 <sup>1</sup>
Shares issued	50,000,000	50,000,000	50,000,000	
Basic consolidated profit per share in CHF	4.75	8.64	4.42	-6.9
Diluted consolidated profit per share in CHF	4.73	8.57	4.40	-7.0
Equity per share in CHF <sup>2</sup>	79.0	90.1	86.7	-3.8
Closing price in CHF	80.65	86.05	75.55	-12.2
Market capitalisation in CHF million	4,032.5	4,302.5	3,777.5	-12.2

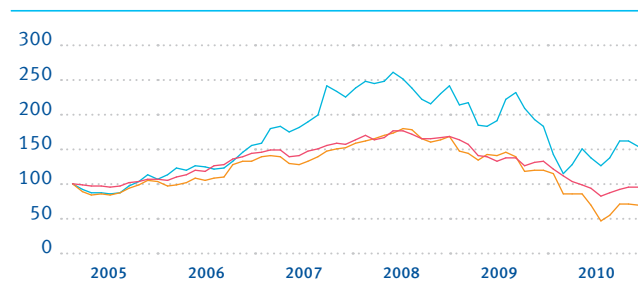
<sup>1</sup> Changes in consolidated profit per share versus 30 June 2009.

<sup>2</sup> Calculated based on consolidated equity before minority interests and average number of outstanding shares.

### BALOISE SHARE

Security symbol	BALN
Nominal value	CHF 0.10
Security number	1.241.051
ISIN	CH0012410517
Exchange	SIX Swiss Exchange
Share type	100% registered shares

### INDEXED SHARE PRICE DEVELOPMENT<sup>1</sup> BÂLOISE HOLDING REGISTERED SHARE 2005 – 2010



<sup>1</sup> 30 June 2005 = 100

- Baloise Holding registered share
- SWX SP Insurance Price Index (SMINNX)
- Swiss Market Index

## BUSINESS VOLUME, PREMIUM VOLUME AND COMBINED RATIO

BUSINESS VOLUME 1 <sup>ST</sup> HALF 2009							
	Group	Switzerland	Germany	Belgium	Luxembourg	Other units <sup>2</sup>	Group business
in CHF million							
Nonlife	2,068.8	982.0	630.4	323.3	34.1	84.6	14.4
Life	2,423.2	1,893.1	408.8	52.3	30.2	38.8	–
Subtotal of IFRS gross premiums written <sup>1</sup>	4,492.0	2,875.1	1,039.2	375.6	64.3	123.4	14.4
Investment-type premiums	499.3	14.7	139.9	36.5	197.5	110.7	–
Total business volume	4,991.3	2,889.8	1,179.1	412.1	261.8	234.1	14.4

BUSINESS VOLUME 1 <sup>ST</sup> HALF 2010							
	Group	Switzerland	Germany	Belgium	Luxembourg	Other units <sup>2</sup>	Group business
in CHF million							
Nonlife	2,084.5	1,002.8	610.0	322.3	54.1	85.2	10.1
Life	2,493.1	1,977.0	391.9	51.4	32.7	40.1	–
Subtotal of IFRS gross premiums written <sup>1</sup>	4,577.6	2,979.8	1,001.9	373.7	86.8	125.3	10.1
Investment-type premiums	1,526.1	14.9	127.2	53.3	534.1	796.6	–
Total business volume	6,103.7	2,994.7	1,129.1	427.0	620.9	921.9	10.1

1 Premiums written and policy fees (gross).

2 Other units: Austria, Croatia, Serbia and Baloise Life Liechtenstein.

	PREMIUMS EARNED (GROSS)					
	2009		1 <sup>ST</sup> half 2010		1 <sup>ST</sup> half 2009	
	2009	2010	2009	2010	2009	2010
	Nonlife		Life		Total	
in CHF million						
IFRS gross premiums written	2,068.8	2,084.5	2,423.2	2,493.1	4,492.0	4,577.6
Change in unearned premium reserves	– 534.1	– 554.8	–	–	– 534.1	– 554.8
Premiums earned and policy fees	1,534.7	1,529.7	2,423.2	2,493.1	3,957.9	4,022.8

**GROSS PREMIUMS BY SECTOR NONLIFE**

	1 <sup>st</sup> half	1 <sup>st</sup> half	+/- %
	2009	2010	
in CHF million			
Accident	314.3	329.0	4.7
Health	91.7	93.8	2.3
General liability	242.7	247.3	1.9
Motor	693.1	689.7	-0.5
Property	573.4	580.8	1.3
Marine	84.5	80.7	-4.5
Other	28.1	30.7	9.3
Active reinsurance	41.0	32.5	-20.7
<b>Gross premiums written, nonlife</b>	<b>2,068.8</b>	<b>2,084.5</b>	<b>0.8</b>

**GROSS PREMIUMS BY SECTOR LIFE**

	1 <sup>st</sup> half	1 <sup>st</sup> half	+/- %
	2009	2010	
in CHF million			
Single premiums	1,211.6	2,299.9	89.8
Periodic premiums	1,710.9	1,719.3	0.5
Investment-type premiums	-499.3	-1,526.1	205.6
<b>Gross premiums written, life</b>	<b>2,423.2</b>	<b>2,493.1</b>	<b>2.9</b>

Compared to the premium income of the corresponding period of the previous year, the premiums are depressed by the currency development between the Swiss franc and the euro in the first half-year 2010.



**COMBINED RATIO GROSS 30.6.2009**

	Group	Switzerland	Germany	Belgium	Luxembourg	Other units <sup>1</sup>	Group business
as a percentage of premiums earned							
Loss ratio	55.2	51.8	57.4	59.1	57.4	61.8	11.5
Expense ratio	32.3	25.8	36.4	37.4	38.0	42.2	15.3
Profit-sharing ratio	0.6	1.0	0.4	0.3	0.2	–	0.0
<b>Combined ratio</b>	<b>88.1</b>	<b>78.6</b>	<b>94.2</b>	<b>96.8</b>	<b>95.6</b>	<b>104.0</b>	<b>26.8</b>

**COMBINED RATIO GROSS 30.6.2010**

	Group	Switzerland	Germany	Belgium	Luxembourg	Other units <sup>1</sup>	Group business
as a percentage of premiums earned							
Loss ratio	57.4	58.8	64.2	45.8	41.2	61.3	–7.7
Expense ratio	30.3	24.5	34.9	33.0	38.2	38.7	17.7
Profit-sharing ratio	0.6	0.9	0.4	0.4	0.1	–	0.1
<b>Combined ratio</b>	<b>88.3</b>	<b>84.2</b>	<b>99.5</b>	<b>79.2</b>	<b>79.5</b>	<b>100.0</b>	<b>10.1</b>

<sup>1</sup> Other units: Austria, Croatia and Serbia.

**COMBINED RATIO GROSS AND NET 30.6.**

	Gross		Net	
	2009	2010	2009	2010
as a percentage of premiums earned				
Loss ratio	55.2	57.4	56.5	58.2
Expense ratio	32.3	30.3	33.5	31.4
Profit-sharing ratio	0.6	0.6	0.6	0.6
<b>Combined ratio</b>	<b>88.1</b>	<b>88.3</b>	<b>90.6</b>	<b>90.2</b>

# Consolidated balance sheet, abridged

(unaudited)

	31.12.2009	30.6.2010
in CHF million		
<b>Assets</b>		
Property, plant and equipment	611.2	552.5
Intangible assets	1,562.4	1,400.6
Investments in associates	143.1	205.0
Investment properties	5,071.7	4,991.6
Financial assets of an equity nature		
Available for sale	3,453.6	3,142.7
Recognised at fair value through profit and loss	6,032.5	6,065.9
Financial assets of a debt nature		
Held to maturity	6,775.4	6,736.3
Available for sale	18,898.4	18,400.3
Recognised at fair value through profit and loss	828.9	1,181.9
Mortgages and loans		
Carried at cost	18,132.5	17,755.1
Recognised at fair value through profit and loss	511.0	500.2
Derivative financial instruments	123.7	308.9
Receivables from financial contracts		
Carried at cost	309.2	283.6
Recognised at fair value through profit and loss	41.7	39.7
Reinsurance assets	306.4	307.0
Receivables from reinsurers	23.0	29.0
Insurance receivables	517.4	508.3
Receivables from employee benefits	3.8	18.8
Other receivables	296.8	471.6
Receivables from investments	698.9	596.5
Deferred income tax assets	26.4	20.9
Current income tax assets	135.2	105.5
Other assets		
Carried at cost	213.4	219.4
Recognised at fair value through profit and loss	47.2	62.3
Cash and cash equivalents	2,528.7	2,470.1
<b>Total assets</b>	<b>67,292.5</b>	<b>66,373.7</b>

The notes are an integral component of the consolidated half-year statement.

	31.12.2009	30.6.2010
in CHF million		
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	5.0	5.0
Capital reserves	193.9	204.5
Treasury shares	-180.9	-223.1
Unrealised gains and losses (net)	-145.9	-300.3
Retained earnings	4,442.9	4,438.9
<b>Equity before minority interests</b>	<b>4,315.0</b>	<b>4,125.0</b>
Minority interests	195.0	36.2
<b>Total equity</b>	<b>4,510.0</b>	<b>4,161.2</b>
<b>Liabilities</b>		
Technical reserves (gross)	45,344.2	45,022.7
Liabilities from the banking business and financial contracts		
With discretionary participation feature (DPF)	516.6	485.7
Measured at amortised cost	6,363.5	6,421.1
Recognised at fair value through profit and loss	4,516.3	5,300.5
Financial liabilities	1,408.6	1,411.4
Financial provisions	90.9	82.4
Derivative financial instruments	49.5	81.7
Insurance liabilities	2,281.9	1,271.5
Liabilities from employee benefits	832.9	720.2
Other accounts payable	509.8	571.9
Deferred tax liabilities	692.8	697.8
Current income tax liabilities	74.0	63.9
Other liabilities	101.5	81.7
<b>Total liabilities</b>	<b>62,782.5</b>	<b>62,212.5</b>
<b>Total equity and liabilities</b>	<b>67,292.5</b>	<b>66,373.7</b>

The notes are an integral component of the consolidated half-year statement.

# Consolidated income statement, abridged (unaudited)

	1 <sup>st</sup> half 2009	1 <sup>st</sup> half 2010
in CHF million		
<b>Income</b>		
Premiums earned and policy fees (gross)	3,957.9	4,022.8
Reinsurance premiums ceded	-91.7	-87.0
Premiums earned and policy fees (net)	3,866.2	3,935.8
Investment income	984.3	942.8
Realised gains and losses on investments	-2.1	168.8
Income from services rendered	219.4	203.6
Result from investments in associates	0.5	1.5
Other operating income	58.4	95.2
<b>Income</b>	<b>5,126.7</b>	<b>5,347.7</b>
<b>Expense</b>		
Claims and benefits paid (gross)	-2,797.4	-2,681.6
Change in technical reserves (gross)	-781.3	-1,197.6
Reinsurance losses ceded	31.8	36.6
Acquisition costs	-227.5	-245.4
Operating and administrative expenses for insurance business	-458.8	-420.0
Investment expenses	-49.1	-34.0
Interest expenses on insurance liabilities	-35.4	-32.1
Result from financial contracts	-149.3	-63.6
Other operating expenses	-357.5	-393.9
<b>Expense</b>	<b>-4,824.5</b>	<b>-5,031.6</b>
<b>Half-year profit before borrowing costs and taxes</b>	<b>302.2</b>	<b>316.1</b>
Borrowing costs	-18.3	-25.5
<b>Half-year profit before taxes</b>	<b>283.9</b>	<b>290.6</b>
Income taxes	-49.3	-77.1
<b>Half-year consolidated profit</b>	<b>234.6</b>	<b>213.5</b>
Attributable to:		
Shareholders	228.0	210.4
Minority interests	6.6	3.1
Earnings / loss per share		
Basic in CHF	4.75	4.42
Diluted in CHF	4.73	4.40

The notes are an integral component of the consolidated half-year statement.



## Consolidated statement of comprehensive income, abridged (unaudited)

	1 <sup>st</sup> half	1 <sup>st</sup> half
	2009	2010
in CHF million		
<b>Half-year consolidated profit</b>	<b>234.6</b>	<b>213.5</b>
Other comprehensive income		
Change in unrealised gains and losses on available for sale financial assets	80.4	199.4
Change in unrealised gains and losses from associates	5.2	-4.1
Change in hedging reserves on derivative financial instruments held for cash flow hedging	-	-
Change in hedging reserves on derivative financial instruments held for hedging a net investment in a foreign entity	-36.1	-57.4
Change in reserves from reclassification of held to maturity financial instruments	-3.9	-5.4
Change in reserves from reclassification of investment properties	0.5	0.6
Exchange differences	132.4	-120.9
Change in shadow accounting	-38.2	-171.0
Income taxes	1.2	-6.5
<b>Other comprehensive income</b>	<b>141.5</b>	<b>-165.3</b>
<b>Consolidated comprehensive income (for the period)</b>	<b>376.1</b>	<b>48.2</b>
Attributable to:		
Shareholders	362.5	71.2
Minority interests	13.6	-23.0

The notes are an integral component of the consolidated half-year statement.

## Consolidated cash flow statement, abridged (unaudited)

	1 <sup>st</sup> half 2009	1 <sup>st</sup> half 2010
in CHF million		
<b>Summary</b>		
Cash flow from operating activities (net)	547.7	328.9
Cash flow from investing activities (net)	- 57.0	- 46.3
Cash flow from financing activities (net)	263.0	- 293.4
<b>Total cash flow</b>	<b>753.7</b>	<b>- 10.8</b>
Changes in exchange rates on cash and cash equivalents	- 10.9	- 47.8
Balance of cash and cash equivalents as of 1 January	1,305.5	2,528.7
<b>Balance of cash and cash equivalents as of 30 June</b>	<b>2,048.3</b>	<b>2,470.1</b>
<b>Cash flow from operating activities</b>		
Half-year profit before taxes	283.9	290.6
<b>Adjustments for</b>		
Impairments and depreciation on property, plant and equipment and on intangible assets	48.9	48.5
Realised gains and losses on property, plant and equipment and on intangible assets	- 0.1	- 0.5
Income from investments in associates	- 0.5	- 0.7
Realised gains and losses on financial assets, investment properties and investments in associates	- 12.4	- 262.0
Changes in other financial contracts	75.8	- 10.1
Changes in technical reserves (gross), including unearned premium reserves	1,148.0	1,613.0
Interest expenses on reinsurance liabilities	1.3	0.5
Borrowing costs	10.9	25.5
Amortised cost valuation of financial instruments	- 2.5	1.7
<b>Additions and disposals of assets and liabilities resulting in a cash flow</b>		
Purchase / sale of investment properties	- 13.1	- 5.4
Purchase / sale of financial assets of an equity nature	135.2	- 440.9
Purchase / sale of financial assets of a debt nature	- 782.2	- 739.3
Addition / disposal of mortgages and loans	- 59.1	- 510.6
Addition / disposal of derivative financial instruments	75.2	147.4
Addition / disposal of financial contracts and liabilities from banking business	577.9	1,320.2
Other changes in assets and liabilities from operating activities	- 862.0	- 1,094.3
<b>Cash flow from operating activities (gross)</b>	<b>625.2</b>	<b>383.6</b>
Taxes paid	- 77.5	- 54.7
<b>Cash flow from operating activities (net)</b>	<b>547.7</b>	<b>328.9</b>

The notes are an integral component of the consolidated half-year statement.

	1 <sup>st</sup> half 2009	1 <sup>st</sup> half 2010
in CHF million		
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	-29.7	-17.9
Sale of property, plant and equipment	1.0	7.8
Purchase of intangible assets	-29.8	-40.3
Sale of intangible assets	0.4	30.8
Acquisition of companies, net of cash and cash equivalents	-	-27.3
Disposal of companies, net of cash and cash equivalents	-	-
Purchase of investments in associates	-0.3	-0.1
Sale of investments in associates	0.8	-
Dividends from associates	0.6	0.7
<b>Cash flow from investing activities (net)</b>	<b>-57.0</b>	<b>-46.3</b>
<b>Cash flow from financing activities</b>		
Capital increases	-	-
Capital reductions	-	-
Additions to financial liabilities	547.9	-
Disposals of financial liabilities	-	-
Borrowing costs paid	-10.9	-34.2
Purchase of treasury shares	-65.4	-69.3
Sale of treasury shares	22.6	30.2
Cash flow minority interests	-15.2	-5.7
Dividend payments	-216.0	-214.4
<b>Cash flow from financing activities (net)</b>	<b>263.0</b>	<b>-293.4</b>
<b>Total cash flow</b>	<b>753.7</b>	<b>-10.8</b>
<b>Cash and cash equivalents</b>		
Balance as of 1 January	1,305.5	2,528.7
Change during the period	753.7	-10.8
Changes in exchange rates on cash and cash equivalents	-10.9	-47.8
<b>Balance as of 30 June</b>	<b>2,048.3</b>	<b>2,470.1</b>
<b>Structure of the balance of cash and cash equivalents on the balance sheet date</b>		
Cash and bank balance	2,038.5	2,235.5
Cash equivalents	0.1	0.0
Cash and cash equivalents for the account and at the risk of life insurance policyholders	9.7	234.6
<b>Balance as of 30 June</b>	<b>2,048.3</b>	<b>2,470.1</b>
Of which: cash and cash equivalents of limited availability	47.7	4.2

The notes are an integral component of the consolidated half-year statement.

## Consolidated statement of changes in equity, abridged (unaudited)

	Share capital	Capital reserves	Treasury shares	Other changes in equity	Retained earnings	Equity before minority interests	Minority interests	Total equity
in CHF million								
Balance as of 1 January 2009	5.0	157.1	-129.4	-586.5	4,244.8	3,691.0	204.6	3,895.6
Half-year consolidated profit	-	-	-	-	228.0	228.0	6.6	234.6
Other comprehensive income	-	-	-	134.5	-	134.5	7.0	141.5
Consolidated comprehensive income	-	-	-	134.5	228.0	362.5	13.6	376.1
<b>Other changes in equity in 2009</b>								
Dividend	-	-	-	-	-216.0	-216.0	-15.3	-231.3
Capital increase / repayment	-	-	-	-	-	-	-	-
Purchase / sale of treasury shares	-	11.7	-51.8	-	-	-40.1	-	-40.1
Cancellation of shares	-	-	-	-	-	-	-	-
Increase / decrease in minority interests due to change in the scope of consolidation	-	-	-	-	-	-	0.1	0.1
Increase / decrease in minority interests due to change in proportional interest	-	-	-	-	-	-	-	-
Balance as of 30 June 2009	5.0	168.8	-181.2	-452.0	4,256.8	3,797.4	203.0	4,000.4



	Share capital	Capital reserves	Treasury shares	Other changes in equity	Retained earnings	Equity before minority interests	Minority interests	Total equity
in CHF million								
<b>Balance as of 1 January 2010</b>	5.0	193.9	-180.9	-145.9	4,442.9	4,315.0	195.0	4,510.0
Half-year consolidated profit	-	-	-	-	210.4	210.4	3.1	213.5
Other comprehensive income	-	-	-	-139.2	-	-139.2	-26.1	-165.3
<b>Consolidated comprehensive income</b>	-	-	-	-139.2	210.4	71.2	-23.0	48.2
<b>Other changes in equity in 2010</b>								
Dividend	-	-	-	-	-214.4	-214.4	-5.7	-220.1
Capital increase / repayment	-	-	-	-	-	-	-	-
Purchase / sale of treasury shares	-	2.1	-42.2	-	-	-40.1	-	-40.1
Cancellation of shares	-	-	-	-	-	-	-	-
Increase / decrease in minority interests due to change in the scope of consolidation	-	-	-	2.6	-	2.6	-54.4	-51.8
Increase / decrease in minority interests due to change in proportional interest	-	8.5	-	-17.8	-	-9.3	-75.7	-85.0
<b>Balance as of 30 June 2010</b>	5.0	204.5	-223.1	-300.3	4,438.9	4,125.0	36.2	4,161.2

The notes are an integral component of the consolidated half-year statement.

# Condensed notes to the consolidated Half-Year Statement (unaudited)

## REPORTING STANDARDS

The Half-Year Report was prepared in accordance with IAS 34 (Interim Financial Reporting) of the International Financial Reporting Standards (IFRS). This Half-Year Report should be read in connection with the Consolidated Financial Report 2009. The reporting standards applied to the Half-Year Report correspond to those pertaining to the preparation of the Annual Financial Statement 2009, except for the new and/or revised reporting standards listed below.

## APPLICATION OF NEW ACCOUNTING STANDARDS

### Newly applied IFRS

#### IFRS 3 (revised) / IAS 27 Business Combinations

A revised version of “Business Combinations” and “Consolidated and Separate Financial Statements according to IFRS” was published on 10 January 2008. The changes mainly affect the treatment of minority interests (Full Goodwill Method), successive company acquisitions, equity transactions, the treatment of the loss of control of a subsidiary, the handling of acquisition costs, adjustments to acquisition costs depending on future events, treatment of effects resulting from business relations that already existed before the business combination and the regulation of reacquired rights. The application of the revised standard will impact the future accounting of business mergers.

The following revised or newly applied standards do not have any effect or any significant effect on the consolidated results or balance sheet items:

- IFRS 1 Additional Exemptions for First-Time Adopters
- IFRS 2 Share-based Payments
- IFRIC 17 Distributions of Non-cash Assets to Owners

## CHANGE IN THE SCOPE OF CONSOLIDATION AND THE INVESTMENT RELATIONS

The Belgian real estate companies Antwerp Real Estate NV, Antwerp, Biekorf NV, Antwerp, and Immo Trefles NV, Anderlecht, were wound up in the first half of 2009.

On 1 January 2010, both Croatian nonlife and life units of Baloise were merged with the property and casualty insurer “Basler osiguranje Zagreb d.d.” acquired in 2007. The conditional purchase price adjustment agreed upon at the time the “Basler osiguranje Zagreb d.d.” was acquired, expired without effect on 1 January 2010, which is why the purchase price was retroactively reduced by CHF 7.1 million. This results in a corresponding reduction of the existing goodwill of “Basler osiguranje Zagreb d.d.”, which therefore, after currency influences, amounts to CHF 68.1 million as of 30 June 2010. The goodwill impairment test performed in the first half-year did not indicate any need for impairment.

On 7 January 2010, Baloise Assurances Luxembourg S.A. completed the acquisition of “Fortis Luxembourg IARD S.A.” As of this date, the newly acquired company was fully consolidated and now operates under the name “Baloise Luxembourg IARD S.A.” Goodwill amounting to CHF 13.3 million resulted from this acquisition. Goodwill is tested for impairment annually at year-end.

Up to now, the Baloise Group and the Signal Iduna Group owned, 65 % and 35 % respectively, of Deutscher Ring Beteiligungsholding GmbH (Hamburg). In turn, Deutscher Ring Beteiligungsholding GmbH notably held a majority holding (50.1 %) in OVB Holding AG (Cologne), parent company of the OVB Group.

The Baloise Group and the Signal Iduna Group have decided to unbundle their holdings in Deutscher Ring Beteiligungsholding GmbH and its subsidiaries.

This unbundling was performed by dividing the participations between both groups appropriate to the shares hitherto held in Deutscher Ring Beteiligungsholding GmbH as of 30 June 2010 at 12.00 midnight.

Pursuant to the contractual agreements made in this respect, the shares of the OVB Holding AG held by Deutscher Ring Beteiligungsholding GmbH were divided between the Signal Iduna Group and the Baloise Group appropriate to their respective stakes in Deutscher Ring Beteiligungsholding GmbH. In this context, the Signal Iduna Group received a 17.535 % share in the OVB Holding AG.

Furthermore, the 35% share in the Deutscher Ring Beteiligungsholding GmbH held by the Signal Iduna Group was redeemed against the transfer of the above-mentioned OVB shares and a cash settlement for the other holdings of the Deutscher Ring Beteiligungsholding GmbH. Thus the Baloise Group henceforth owns 100% of the Deutscher Ring Beteiligungsholding GmbH. The cash settlement amounts to CHF 64.4 million. The cash settlement has not yet been effected on the balance sheet date and so it was recognised as a liability. The redemption of the 35% share in the Deutscher Ring Beteiligungsholding GmbH held by the Signal Iduna Group and the associated role of the Baloise Group as sole shareholder, represents a buy-out of minority interests totalling CHF 75.7 million for the Baloise Group, resulting in a surplus of CHF 11.3 million to be treated as in equity and thus not affecting profit or loss.

Further, the Signal Iduna Group received a right to a share of the profits should a participation belonging to the Deutscher Ring Beteiligungsholding GmbH be sold in the future. The valuation of this profit share as of 30 June 2010 corresponds to a liability of CHF 2.8 million which – when first assessed – will be charged to equity of the Baloise Group.

The transfer of the 17.535% share in the OVB Holding AG from the Deutscher Ring Beteiligungsholding GmbH to the Signal Iduna Group results in a loss of control according to IFRS and therefore the deconsolidation of the OVB Group as of 30 June 2010.

As of this date, the remaining 32.565% share of Baloise Group in OVB Holding AG will be recognised in the consolidated financial statement of the Baloise Group as an associate measured according to the equity method. The new book value of the holding equates to a 32.565% share of the determined fair value of the OVB Group.

The remaining share in the OVB Group is revalued to a determined fair value of CHF 79.7 million. Due to the limited free float, the limited trading volumes and the resulting price volatility, the stock market value of the OVB Holding AG alone is not suitable for valuation. The valuation was performed using valuation methods customary in the market, including in particular methods based on discounted cash flow.

The transaction profit for the Baloise Group from the above-mentioned unwinding amounts to CHF 11.0 million after allowing for latency calculation effects arising at Deutscher Ring Leben.

## EXCHANGE RATES

CURRENCY	Balance sheet		Income statement	
	31.12.2009	30.6.2010	30.6.2009	30.6.2010
in CHF				
1 EUR (euro)	1.48	1.32	1.51	1.44
1 USD (US dollar)	1.03	1.08	1.13	1.08
100 HRK (Croatian kuna)	20.33	18.37	20.43	19.83

SEGMENT REPORTING BY STRATEGIC BUSINESS UNITS (1<sup>ST</sup> HALF)

	Switzerland		Germany		Belgium	
	2009	2010	2009	2010	2009	2010
in CHF million						
<b>Income</b>						
Premiums earned and policy fees (gross)	2,533.5	2,622.7	909.3	870.9	330.3	327.8
Reinsurance premiums ceded	-97.2	-94.4	-50.8	-52.2	-17.8	-17.7
Premiums earned and policy fees (net)	2,436.3	2,528.3	858.5	818.7	312.5	310.1
Investment income	510.8	499.1	343.1	315.5	86.7	89.1
Realised capital gains and losses on investments	-67.0	31.6	-13.0	136.7	-8.3	18.4
Income from services rendered	25.9	27.9	174.2	161.9	1.9	2.3
Result from investments in associates	0.0	0.0	1.0	0.5	-0.5	1.0
Other operating income	27.1	17.9	27.6	57.0	1.6	0.8
<b>Income</b>	<b>2,933.1</b>	<b>3,104.8</b>	<b>1,391.4</b>	<b>1,490.3</b>	<b>393.9</b>	<b>421.7</b>
Intersegment income	47.7	41.7	23.1	24.6	4.1	6.8
Income from associates	0.0	0.0	1.0	0.5	-0.5	1.0
<b>Expense</b>						
Claims and benefits paid (gross)	-1,776.3	-1,705.8	-685.6	-645.4	-219.7	-212.2
Change in technical reserves (gross)	-612.0	-867.0	-135.8	-332.2	-16.5	17.9
Reinsurance share of claims incurred	23.7	42.1	22.2	43.7	16.6	10.2
Acquisition costs	-10.1	-57.0	-120.0	-95.3	-71.1	-62.0
Operating and administrative expenses for insurance business	-205.5	-204.3	-168.5	-133.5	-42.5	-38.3
Investment expenses	-26.2	-22.9	-12.0	-13.1	-5.5	-5.4
Interest expenses on insurance liabilities	-4.5	-4.3	-28.5	-26.6	-1.1	-0.4
Result from financial contracts	-49.3	-45.3	-14.6	-16.0	-15.9	-16.8
Other operating expenses	-115.8	-136.9	-209.1	-193.9	-4.0	-12.7
<b>Expense</b>	<b>-2,776.0</b>	<b>-3,001.4</b>	<b>-1,351.9</b>	<b>-1,412.3</b>	<b>-359.7</b>	<b>-319.7</b>
<b>Half-year profit / loss before borrowing costs and taxes</b>	<b>157.1</b>	<b>103.4</b>	<b>39.5</b>	<b>78.0</b>	<b>34.2</b>	<b>102.0</b>
Borrowing costs	-	-	-	-	-	-
<b>Half-year profit / loss before taxes</b>	<b>157.1</b>	<b>103.4</b>	<b>39.5</b>	<b>78.0</b>	<b>34.2</b>	<b>102.0</b>
Income taxes	-43.1	-25.1	-19.2	-20.1	17.1	-28.2
<b>Half-year consolidated profit / loss (segment result)</b>	<b>114.0</b>	<b>78.3</b>	<b>20.3</b>	<b>57.9</b>	<b>51.3</b>	<b>73.8</b>
Segment assets 30 June	35,701.7	37,161.1	18,633.6	16,673.9	5,029.5	4,678.3
Segment assets 31 December 2009	36,290.6		18,279.2		5,128.8	

CONTINUED											
Luxembourg		Other units		Subtotal		Group business		Elimination		Total	
2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
55.7	74.8	119.0	123.3	3,947.8	4,019.5	130.6	131.9	-120.5	-128.6	3,957.9	4,022.8
-6.2	-11.1	-33.6	-37.3	-205.6	-212.7	-8.4	-4.8	122.3	130.5	-91.7	-87.0
49.5	63.7	85.4	86.0	3,742.2	3,806.8	122.2	127.1	1.8	1.9	3,866.2	3,935.8
9.3	8.5	20.3	17.1	970.2	929.3	14.9	15.5	-0.8	-2.0	984.3	942.8
78.7	111.7	4.1	-117.0	-5.5	181.4	3.4	-12.6	-	-	-2.1	168.8
4.2	4.8	6.8	6.6	213.0	203.5	29.8	60.9	-23.4	-60.8	219.4	203.6
-	-	-	-	0.5	1.5	-	-	-	-	0.5	1.5
0.1	0.8	1.5	3.5	57.9	80.0	32.0	42.7	-31.5	-27.5	58.4	95.2
141.8	189.5	118.1	-3.8	4,978.3	5,202.5	202.3	233.6	-53.9	-88.4	5,126.7	5,347.7
3.1	2.9	30.4	32.2	108.4	108.2	-161.7	-196.7	53.3	88.5	-	-
-	-	-	-	0.5	1.5	-	-	-	-	0.5	1.5
-28.7	-29.8	-81.0	-82.1	-2,791.3	-2,675.3	-64.3	-78.4	58.2	72.1	-2,797.4	-2,681.6
-23.2	-21.6	-3.6	-3.8	-791.1	-1,206.7	15.1	-1.3	-5.3	10.4	-781.3	-1,197.6
1.1	2.5	20.6	23.2	84.2	121.7	2.3	-0.8	-54.7	-84.3	31.8	36.6
-3.1	-7.2	-21.6	-23.6	-225.9	-245.1	-13.2	-13.1	11.6	12.8	-227.5	-245.4
-12.2	-14.1	-19.9	-18.0	-448.6	-408.2	1.4	1.0	-11.6	-12.8	-458.8	-420.0
-4.9	-0.3	-1.1	-1.2	-49.7	-42.9	-9.9	-6.3	10.5	15.2	-49.1	-34.0
-0.3	-0.3	-1.2	-0.8	-35.6	-32.4	-	-	0.2	0.3	-35.4	-32.1
-69.1	-104.7	-3.5	115.9	-152.4	-66.9	-1.5	-0.5	4.6	3.8	-149.3	-63.6
-3.0	-4.7	-12.5	-13.7	-344.4	-361.9	-53.5	-102.9	40.4	70.9	-357.5	-393.9
-143.4	-180.2	-123.8	-4.1	-4,754.8	-4,917.7	-123.6	-202.3	53.9	88.4	-4,824.5	-5,031.6
-1.6	9.3	-5.7	-7.9	223.5	284.8	78.7	31.3	-	-	302.2	316.1
-	-	-	-	-	-	-18.3	-25.5	-	-	-18.3	-25.5
-1.6	9.3	-5.7	-7.9	223.5	284.8	60.4	5.8	-	-	283.9	290.6
0.6	-1.7	0.0	1.1	-44.6	-74.0	-4.7	-3.1	-	-	-49.3	-77.1
-1.0	7.6	-5.7	-6.8	178.9	210.8	55.7	2.7	-	-	234.6	213.5
2,785.1	3,843.0	1,324.2	3,434.1	63,474.1	65,790.4	1,752.6	1,784.4	-1,078.5	-1,201.1	64,148.2	66,373.7
3,531.7		3,322.4		66,552.7		1,652.4		-912.6		67,292.5	

SEGMENT REPORTING BY BUSINESS SEGMENTS (1<sup>ST</sup> HALF)

	Nonlife		Life	
	2009	2010	2009	2010
in CHF million				
<b>Income</b>				
Premiums earned and policy fees (gross)	1,534.7	1,529.7	2,423.2	2,493.1
Reinsurance premiums ceded	-81.0	-76.7	-10.7	-10.3
Premiums earned and policy fees for own account (net)	1,453.7	1,453.0	2,412.5	2,482.8
Investment income	162.6	156.7	728.1	695.6
Realised capital gains and losses on investments	-14.4	13.4	16.9	159.1
Income from services rendered	3.9	12.2	7.0	8.7
Result from investments in associates	-0.5	1.5	0.0	-0.4
Other operating income	19.2	19.9	20.9	16.9
<b>Income</b>	<b>1,624.5</b>	<b>1,656.7</b>	<b>3,185.4</b>	<b>3,362.7</b>
Intersegment income	-9.0	-12.7	-11.8	-9.2
Income from associates	-0.5	1.5	0.0	-0.4
<b>Expense</b>				
Claims and benefits paid (gross)	-886.1	-927.3	-1,911.3	-1,754.3
Change in technical reserves (gross)	18.2	29.2	-799.5	-1,226.8
Reinsurance share of claims incurred	25.6	32.0	6.2	4.6
Acquisition costs	-200.7	-184.2	-26.8	-61.2
Operating and administrative expenses for insurance business	-273.4	-265.6	-185.4	-154.4
Investment expenses	-9.6	-10.2	-39.1	-39.3
Interest expenses on insurance liabilities	-1.3	-0.4	-34.1	-31.7
Result from financial contracts	-2.2	-2.6	-101.3	-15.5
Other operating expenses	-65.7	-52.8	-40.1	-73.9
<b>Expense</b>	<b>-1,395.2</b>	<b>-1,381.9</b>	<b>-3,131.4</b>	<b>-3,352.5</b>
<b>Half-year profit / loss before borrowing costs and taxes</b>	<b>229.3</b>	<b>274.8</b>	<b>54.0</b>	<b>10.2</b>
Borrowing costs	-	-	-	-
<b>Half-year profit / loss before taxes</b>	<b>229.3</b>	<b>274.8</b>	<b>54.0</b>	<b>10.2</b>
Income taxes	-32.4	-60.5	-7.2	-8.4
<b>Half-year consolidated profit / loss (segment result)</b>	<b>196.9</b>	<b>214.3</b>	<b>46.8</b>	<b>1.8</b>

CONTINUED							
Banking		Other activities		Elimination		Total	
2009	2010	2009	2010	2009	2010	2009	2010
-	-	-	-	-	-	3,957.9	4,022.8
-	-	-	-	-	-	-91.7	-87.0
-	-	-	-	-	-	3,866.2	3,935.8
96.6	90.4	5.9	8.0	-8.9	-7.9	984.3	942.8
-1.4	0.7	-3.2	-4.4	-	0.0	-2.1	168.8
59.0	53.6	189.4	206.9	-39.9	-77.8	219.4	203.6
-	-	1.0	0.4	-	0.0	0.5	1.5
4.4	3.2	24.8	61.6	-10.9	-6.4	58.4	95.2
158.6	147.9	217.9	272.5	-59.7	-92.1	5,126.7	5,347.7
-19.9	-21.4	-18.6	-48.8	59.3	92.1	-	-
-	-	1.0	0.4	-	-	0.5	1.5
-	-	-	-	-	-	-2,797.4	-2,681.6
-	-	-	-	-	-	-781.3	-1,197.6
-	-	-	-	-	-	31.8	36.6
-	-	-	-	-	-	-227.5	-245.4
-	-	-	-	-	-	-458.8	-420.0
-19.9	-10.6	-5.2	-4.2	24.7	30.3	-49.1	-34.0
-	-	-	-	-	0.0	-35.4	-32.1
-50.7	-46.9	-9.2	-8.8	14.1	10.2	-149.3	-63.6
-57.8	-57.5	-214.8	-261.3	20.9	51.6	-357.5	-393.9
-128.4	-115.0	-229.2	-274.3	59.7	92.1	-4,824.5	-5,031.6
30.2	32.9	-11.3	-1.8	-	-	302.2	316.1
-	-	-18.3	-25.5	-	-	-18.3	-25.5
30.2	32.9	-29.6	-27.3	-	-	283.9	290.6
-5.6	-5.7	-4.1	-2.5	-	-	-49.3	-77.1
24.6	27.2	-33.7	-29.8	-	-	234.6	213.5



## SHARE CAPITAL

	Number of treasury shares	Number of shares in circulation	Number of shares issued	Share capital (in CHF m)
Balance as of 1 January 2009	1,566,985	48,433,015	50,000,000	5.0
Purchase / sale of treasury shares	715,805	-715,805	-	-
Capital increases	-	-	-	-
Share buy-back and share cancellation	-	-	-	-
Balance as of 31 December 2009	2,282,790	47,717,210	50,000,000	5.0
Balance as of 1 January 2010	2,282,790	47,717,210	50,000,000	5.0
Purchase / sale of treasury shares	515,222	-515,222	-	-
Capital increases	-	-	-	-
Share buy-back and share cancellation	-	-	-	-
Balance as of 30 June 2010	2,798,012	47,201,988	50,000,000	5.0

The registered shares of Baloise Holding are subscribed and paid in full and have a face value of CHF 0.10 (previous year: CHF 0.10). The entry in the share register with voting rights is limited to 2% of the share capital for natural and legal persons or partnerships. The Baloise Group buys and sells treasury shares as part of its normal investment activity, as well as for employee participation plans.

Baloise Holding share capital now totals CHF 5.0 million, divided into 50,000,000 subscribed and paid in full registered shares with a face value of CHF 0.10.

At the Annual General Meeting on 23 April 2010, the payment of a gross dividend of CHF 4.50 per share was decided for the 2009 fiscal year. This corresponds to a total dividend of CHF 225.0 million. After eliminating the Baloise Holding's treasury shares held at the time of the dividend payout, CHF 214.4 million were effectively paid out.

In the reporting period, 326,057 shares in Baloise Holding were bought back for CHF 26.9 million as part of the share buy-back programme started on 29 September 2008 and extended until 28 April 2011 on 26 April 2010. Thus a total of 1,507,952 shares with a total value of CHF 116.1 million were bought back in the course of this programme.

**FINANCIAL LIABILITIES**

No new bonds were placed nor were any repaid during the reporting period.

**INVESTMENT INCOME FOR OWN ACCOUNT AND AT OWN RISK**

	1 <sup>st</sup> half 2009	1 <sup>st</sup> half 2010
in CHF million		
Investment properties	125.3	129.3
Financial assets of an equity nature		
Available for sale	61.4	47.1
Recognised at fair value through profit and loss	0.0	0.0
Financial assets of a debt nature		
Held to maturity	102.1	108.7
Available for sale	331.1	336.8
Recognised at fair value through profit and loss	5.6	3.3
Mortgages and loans		
Carried at cost	347.0	306.6
Recognised at fair value through profit and loss	9.6	8.3
Cash and cash equivalents	2.2	2.7
<b>Total investment income for own account and at own risk</b>	<b>984.3</b>	<b>942.8</b>

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

	1 <sup>st</sup> half 2009	1 <sup>st</sup> half 2010
in CHF million		
<b>Realised gains and losses on investments as recognised in the income statement</b>		
Realised gains and losses on investments for own account and at own risk	-173.5	118.9
Realised gains and losses on investments for the account and at the risk of life insurance policyholders	171.4	49.9
<b>Realised gains and losses on investments as recognised in the income statement</b>	<b>-2.1</b>	<b>168.8</b>

REALISED GAINS AND LOSSES ON INVESTMENTS 1<sup>ST</sup> HALF 2009  
FOR OWN ACCOUNT AND AT OWN RISK

	Investment properties	Financial assets of an equity nature	Financial assets of a debt nature	Mortgages and loans <sup>1</sup>	Derivative financial instruments	Total
in CHF million						
<b>Realised gains on sales and book profits</b>						
Investment properties	84.6	–	–	–	–	84.6
Held to maturity <sup>2</sup>	–	–	43.5	–	–	43.5
Available for sale	–	145.8	60.6	–	–	206.4
Recognised at fair value through profit and loss	–	5.2	12.7	–	207.6	225.5
Carried at cost	–	–	–	3.3	–	3.3
<b>Subtotal</b>	<b>84.6</b>	<b>151.0</b>	<b>116.8</b>	<b>3.3</b>	<b>207.6</b>	<b>563.3</b>
<b>Realised losses on sales and book losses</b>						
Investment properties	–92.3	–	–	–	–	–92.3
Held to maturity <sup>2</sup>	–	–	–2.8	–	–	–2.8
Available for sale	–	–88.9	–15.8	–	–	–104.7
Recognised at fair value through profit and loss	–	–11.4	–3.8	–	–345.4	–360.6
Carried at cost	–	–	–	–9.7	–	–9.7
<b>Subtotal</b>	<b>–92.3</b>	<b>–100.3</b>	<b>–22.4</b>	<b>–9.7</b>	<b>–345.4</b>	<b>–570.1</b>
<b>Impairment loss recognised in profit and loss</b>						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–165.0	–7.7	–	–	–172.7
Carried at cost	–	–	–	–14.5	–	–14.5
<b>Reversals of an impairment loss recognised in profit and loss</b>						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–	8.4	–	–	8.4
Carried at cost	–	–	–	12.1	–	12.1
<b>Subtotal</b>	<b>–</b>	<b>–165.0</b>	<b>0.7</b>	<b>–2.4</b>	<b>–</b>	<b>–166.7</b>
<b>Total realised gains and losses on investments</b>	<b>–7.7</b>	<b>–114.3</b>	<b>95.1</b>	<b>–8.8</b>	<b>–137.8</b>	<b>–173.5</b>

1 In respect of disposal and book losses / profits realised on mortgages and loans recognised at fair value, a fair value hedging loss of CHF 1.4 million was applied.

2 In the case of investments of a debt nature held to maturity, currency effects are stated under realised book profits and / or realised book losses.

**REALISED GAINS AND LOSSES ON INVESTMENTS 1<sup>ST</sup> HALF 2010  
FOR OWN ACCOUNT AND AT OWN RISK**

	Investment properties	Financial assets of an equity nature	Financial assets of a debt nature	Mortgages and loans <sup>1</sup>	Derivative financial instruments	Total
in CHF million						
<b>Realised gains on sales and book profits</b>						
Investment properties	91.8	–	–	–	–	91.8
Held to maturity <sup>2</sup>	–	–	1.9	–	–	1.9
Available for sale	–	119.9	116.8	–	–	236.7
Recognised at fair value through profit and loss	–	3.2	7.6	0.8	422.8	434.4
Carried at cost	–	–	–	14.7	–	14.7
<b>Subtotal</b>	<b>91.8</b>	<b>123.1</b>	<b>126.3</b>	<b>15.5</b>	<b>422.8</b>	<b>779.5</b>
<b>Realised losses on sales and book losses</b>						
Investment properties	–88.8	–	–	–	–	–88.8
Held to maturity <sup>2</sup>	–	–	–184.9	–	–	–184.9
Available for sale	–	–54.7	–194.1	–	–	–248.8
Recognised at fair value through profit and loss	–	–2.2	–4.2	0.0	–65.0	–71.4
Carried at cost	–	–	–	–0.3	–	–0.3
<b>Subtotal</b>	<b>–88.8</b>	<b>–56.9</b>	<b>–383.2</b>	<b>–0.3</b>	<b>–65.0</b>	<b>–594.2</b>
<b>Impairment loss recognised in profit and loss</b>						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–63.1	–2.5	–	–	–65.6
Carried at cost	–	–	–	–6.3	–	–6.3
<b>Reversals of an impairment loss recognised in profit and loss</b>						
Held to maturity	–	–	–	–	–	–
Available for sale	–	–	–	–	–	–
Carried at cost	–	–	–	5.5	–	5.5
<b>Subtotal</b>	<b>–</b>	<b>–63.1</b>	<b>–2.5</b>	<b>–0.8</b>	<b>–</b>	<b>–66.4</b>
<b>Total realised gains and losses on investments</b>	<b>3.0</b>	<b>3.1</b>	<b>–259.4</b>	<b>14.4</b>	<b>357.8</b>	<b>118.9</b>

1 In respect of disposal and book losses / profits realised on mortgages and loans recognised at fair value, a fair value hedging loss of CHF 3.5 million was applied.

2 In the case of investments of a debt nature held to maturity, currency effects are stated under realised book profits and / or realised book losses.

## RESULT FROM FINANCIAL CONTRACTS

	1 <sup>st</sup> half	1 <sup>st</sup> half
	2009	2010
in CHF million		
<b>With discretionary participation features (DPF)</b>		
Financial contracts with discretionary participation features (DPF)	- 8.0	- 11.1
<b>Subtotal</b>	<b>- 8.0</b>	<b>- 11.1</b>
<b>Measured at amortised cost</b>		
Interest on loans	- 0.5	- 0.5
Interest due	- 13.4	- 13.2
Interest from banking business	- 31.2	- 28.4
Interest expenses on repurchase agreements	-	-
Acquisition costs - banking business	- 3.0	- 3.6
Interest expenses on operating bonds	- 1.6	- 1.6
Expenses from financial contracts	- 2.8	- 10.1
<b>Subtotal</b>	<b>- 52.5</b>	<b>- 57.4</b>
<b>Recognised at fair value through profit and loss – designated</b>		
Change in fair value of operating bonds	-	-
Change in fair value of other financial contracts	- 88.8	4.9
<b>Subtotal</b>	<b>- 88.8</b>	<b>4.9</b>
<b>Total result from financial contracts</b>	<b>- 149.3</b>	<b>- 63.6</b>
Of which: net income from interest rate hedging instruments		
Interest rate swaps: cash flow hedges, balance carried forward from cash flow hedge reserve	-	-
Interest rate swaps: fair value hedges	0.0	2.4
<b>Total income from interest rate hedging instruments</b>	<b>0.0</b>	<b>2.4</b>

## INCOME TAXES

	1 <sup>st</sup> half	1 <sup>st</sup> half
	2009	2010
in CHF million		
Current income taxes	- 39.1	- 63.1
Deferred income taxes	- 10.2	- 14.0
<b>Total current and deferred income taxes</b>	<b>- 49.3</b>	<b>- 77.1</b>

## EARNINGS PER SHARE

	1 <sup>st</sup> half	1 <sup>st</sup> half
	2009	2010
Profit for the period (attributable to shareholders) in CHF million	228.0	210.4
Average number of outstanding shares	48,054,289	47,564,285
<b>Basic earnings per share in CHF</b>	<b>4.75</b>	<b>4.42</b>
	1 <sup>st</sup> half	1 <sup>st</sup> half
	2009	2010
Profit for the period (attributable to shareholders) in CHF million	228.0	210.4
Adjustment of interest expenses on convertible bonds (including tax effects) in CHF million	–	3.6
<b>Adjusted profit for the period (attributable to shareholders) in CHF million</b>	<b>228.0</b>	<b>214.0</b>
Average number of outstanding shares	48,054,289	47,564,285
Adjustment due to theoretic conversion of convertible bonds	–	923,077
Adjustment due to theoretic exercising of share-based payment programmes	80,808	83,183
Adjustment due to theoretic exercising of put options	115,252	39,917
<b>Average number of outstanding shares</b>	<b>48,250,349</b>	<b>48,610,462</b>
<b>Diluted earnings per share in CHF</b>	<b>4.73</b>	<b>4.40</b>

The diluted result is due to the share-based payment programme “Performance Share Units” (PSU), the short-put options issued as part of the Employee Share Ownership Plan and also to the Baloise Holding convertible bond.

#### RELATED PARTY TRANSACTIONS

Since 30 June 2010, Deutscher Ring Krankenversicherungsverein a.G., Hamburg, is no longer considered an affiliated company in the sense of IAS 24, due to the effects of the unwinding contract of 8 June 2010. However, since 1 July 2010, the OVB Group is deemed to be an affiliated company.

No other significant transactions with affiliated companies or related parties were performed in the reporting period. Further information pertaining to such transactions is contained in the 2009 Financial Report.

#### CONTINGENT AND FUTURE LIABILITIES

In the first half-year of 2010, no facts became known which result in material changes regarding the disclosures in the Financial Report as of 31 December 2009.

#### EVENTS AFTER THE BALANCE SHEET DATE

On 20 July 2010, the Baloise Group announced that it is buying the Belgian insurance business from Avéro Schadeverzekering Benelux NV, a subsidiary of the Dutch Eureko group. The purchase is subject to approval through the regulatory authorities and is expected to be completed in the second half of 2010.

Until the present Half-Year Report was completed on 24 August 2010, no further events have become known that would have a significant influence on the half-year balance sheet as a whole.



## Key dates and contacts

- 26.8.2010** Half-year results:  
telephone conference for  
media / financial analysts
- 22.3.2011** Annual results:  
media conference  
telephone conference for  
financial analysts
- 29.4.2011** Baloise Holding Ltd  
Annual General Meeting
- 30.8.2011** Half-year results:  
telephone conference for  
media / financial analysts

### NOTE ON FORWARD-LOOKING STATEMENTS

This publication is intended to provide an overview of Baloise's business performance. It contains forward-looking statements including forecasts of future events, plans, goals, business developments and results based on the current expectations and assumptions of the Baloise management. These forward-looking statements should be noted with due caution as they inherently contain both known and unknown risks, are subject to uncertainties, and may be affected adversely by other factors. In consequence, business performance, results, plans and goals could differ substantially from those presented explicitly or implicitly in these forward-looking statements. Among the influencing factors are (i) changes in the overall state of the economy, especially in key markets; (ii) financial market performance; (iii) competitive factors; (iv) changes in interest rates; (v) changes in exchange rates; (vi) changes in the statutory and regulatory framework including accounting standards; (vii) frequency and magnitude of claims and development of 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; (xii) negative publicity and media reports. Baloise assumes no obligation to update or revise these forward-looking statements, to allow for new information, future events etc. The past performance of Baloise is no indication of future results.

The 2010 Half-Year Report is also available in German. In the event of a discrepancy, the German text shall prevail. The 2010 Half-Year Report will also be available on the Internet at [www.baloise.com/half-yearreport](http://www.baloise.com/half-yearreport) as of 26 August 2010.

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