

“ Finding and retaining  
the right customers...”

Semi-Annual Report 2006

## Dear Shareholders

We are very pleased with the Baloise Groups record performance in the first half of 2006. Net profit nearly doubled to CHF 419 million. Every line of business noticeably increased its contribution to profit. Business volume declined slightly by 0.8%. Our strategy of operational excellence with a focus on target customers is taking hold.

Consolidated shareholders equity remained sturdy at CHF 4.3 billion.

**Non-life insurance** saw a sharp 90% increase in earnings before taxes and financing costs to CHF 304 million, thanks mainly to a favourable claims situation and better operating performance. The combined ratio improved to 90.9%. Business volume growth kept pace with the market at 0.9%.

In the **life insurance** line, earnings before taxes and financing costs grew 63% to CHF 158 million. This strong showing enabled us to establish higher surplus sharing reserves in favour of our customers. Business volume, driven by the contracting single-premium business in Switzerland, declined by 2.1%.

The **banking segment** saw a significant 56% increase in pre-tax earnings to CHF 31 million.

**Capital investments** produced a 12.4% higher net income of CHF 1,189 million with a net yield of 2.2%.

The **Baloises share** price continued to soar, rising 22.4% and significantly outpacing both the overall stock market and the insurance sector.

With our 2006 annual result, we aim to surpass our previous record annual profit of CHF 634 million from 2000. This will require an absence of extraordinary negative occurrences on the capital markets and of extraordinary claims during the second half of the year.

## Key figures at a glance

<b>Business volume</b>	6.30.05	12.31.05	<b>6.30.06</b>	% change since 6.30.05
Non-life	1,987.6	3,055.4	2,004.6	0.9
Life	2,425.3	3,783.7	2,345.7	-3.3
Subtotal of IFRS gross premiums written <sup>1</sup>	4,412.9	6,839.1	4,350.3	-1.4
Investment-type premiums	210.6	554.4	235.9	12.0
Total business volume	4,623.5	7,393.5	4,586.2	-0.8
in CHF million				
<b>Business result</b>	6.30.05	12.31.05	<b>6.30.06</b>	% change since 6.30.05
Consolidated corporate profit in CHF million	217.6	403.5	419.0	92.6
Consolidated annual profit per share in CHF	4.0	7.3	7.6	90.0
<b>Balance sheet</b>	6.30.05	12.31.05	<b>6.30.06</b>	% change since 12.31.05
Investments (including investment-type insurance)	55,232.0	56,470.1	56,788.1	0.6
Actuarial provisions	44,007.0	44,721.1	45,934.1	2.7
Shareholders equity	3,976.6	4,391.3	4,310.7	-1.8
in CHF million				
<b>Ratios</b>	6.30.05	12.31.05	<b>6.30.06</b>	% change since 6.30.05
Combined ratio non-life (gross)	94.1	100.6	90.9	-3.2
Combined ratio non-life (net)	98.0	100.0	94.2	-3.8
in percent				
<b>Key share data</b>	6.30.05	12.31.05	<b>6.30.06</b>	% change since 12.31.05
Equity per share in CHF <sup>2</sup>	72.3	79.8	78.1	-2.1
Closing price in CHF	64.00	76.75	93.95	22.4
Market capitalization in CHF million	3,539.7	4,244.8	5,196.1	22.4

<sup>1</sup> Premiums written and policy fees, gross

<sup>2</sup> Calculated on the basis of consolidated shareholders' equity before minority interests and average number of outstanding shares



**Dr Rolf Schäuble**  
Chairman of the  
Board of Directors



**Dr Frank Schnewlin**  
Chief Executive Officer

# Baloise achieves record result

## Overview of business developments

The Baloise Group achieved the strongest half-year earnings in its entire history in the first half of 2006. Profit increased by 92.6% to CHF 419.0 million (previous year: CHF 217.6 million). Every line of business and all regional business units contributed substantially through their unwavering focus on operational excellence and their focus on high-value-adding target customers. The strong performance was based on outstanding underwriting results and income from capital market investments, influenced by a favourable claims situation and higher interest rates. Business volume (including investment-type premiums) reached CHF 4,586.2 million (previous year: CHF 4,623.5 million), a decline of 0.8%. IFRS premium revenues declined by 1.4% to CHF 4,350.3 million, driven by the shrinking single premium business in Switzerland.

**Non-life insurance** achieved 89.5% growth in earnings before taxes and financing costs to CHF 303.8 million (previous year: CHF 160.3 million). The claims-cost ratio (combined ratio) improved markedly: the gross figure declined 3.2 percentage points to 90.9% (previous year: 94.1%), while the net figure reached 94.2% (previous year: 98.0%), a drop of 3.8 percentage points. Further progress in tightening our focus on our target customers, along with a favourable claims situation, reduced the gross claims ratio to 59.4%, compared to 64.2% in the prior year. Business volume reached CHF 2,004.6 million (previous year: CHF 1,987.6 million), an increase of 0.9% in line with the market. Switzerland, Luxembourg and Austria accounted for the growth, whereas Basler Securitas and Mercator saw a declining business volume due to price competition.

The **life insurance** line attained 63.4% growth in earnings before taxes and financing costs to CHF 158.2 million (previous year: CHF 96.8 million). Along with improved operations, higher interest rates accounted for the strong showing. This good performance enabled us to increase surplus sharing reserves in favour of our customers. Business volume (including investment-type premiums) reached CHF 2,581.6 million (previous year: CHF 2,635.9 million), a decline of 2.1%. IFRS premiums shrank 3.3% to CHF 2,345.7 million while investment-linked life insurance grew 12.0% to CHF 235.9 million due to continued modest demand for traditional life insurance products, particularly single-premium policies in Switzerland.

The **banking business** generated 55.5% greater earnings before taxes and financing costs at CHF 31.1 million (previous year: CHF 20.0 million). This gratifying result was essentially based on strongly improved profit at Baloise Bank SoBa and on the likewise very good earnings at Baloise Asset Management.

**Capital investments** overall produced a 12.4% higher net income of CHF 1,189.4 million (previous year: CHF 1,058.4 million). This corresponds to a net yield of 2.2% and an IFRS performance for the half-year of 1.0% (both figures not annualized, by cost), although the capital markets lost momentum in the second quarter after a strong start to the year. In line with our strategy, we took deliberate advantage of the positive developments on the capital markets in the first quarter to realize profits on our investments and to adjust portfolios in certain business units. At the end of the first half, shares accounted for 10.7% of our insurance business, compared to 11.2% at the start of the year.

Asset allocation of the insurance business	12.31.2005			6.30.2006		
	Non-life	Life	Total	Non-life	Life	Total
Fixed-interest securities	4,418.0	16,475.3	<b>20,893.3</b>	4,686.6	16,806.6	<b>21,493.2</b>
Shares	1,145.7	4,284.4	<b>5,430.1</b>	1,160.3	4,099.0	<b>5,259.3</b>
Derivative financial instruments	0.4	1.1	<b>1.5</b>	0.4	23.1	<b>23.5</b>
Alternative financial assets	341.1	1,754.9	<b>2,096.0</b>	338.0	1,713.2	<b>2,051.2</b>
Investment properties	959.0	4,275.7	<b>5,234.7</b>	943.3	4,277.6	<b>5,220.9</b>
Mortgage loans	355.4	4,669.2	<b>5,024.6</b>	348.8	4,617.5	<b>4,966.3</b>
Policy loans and other loans	973.0	7,562.1	<b>8,535.1</b>	990.4	7,394.5	<b>8,384.9</b>
Other short-term investments	676.0	802.3	<b>1,478.3</b>	445.4	1,296.3	<b>1,741.7</b>
<b>Total</b>	<b>8,868.6</b>	<b>39,825.0</b>	<b>48,693.6</b>	<b>8,913.2</b>	<b>40,227.8</b>	<b>49,141.0</b>

in CHF million

The Baloise Groups consolidated shareholders **equity** remained sturdy at CHF 4.3 billion despite the rise in interest rates. The solvency margin was 308%.

### Developments on the markets

The **Swiss** segment achieved 38.2% growth in earnings before taxes and financing costs to CHF 158.6 million (previous year: CHF 114.8 million). All business lines contributed. This result testifies to the success of the Baloise Group's largest business unit in implementing measures to enhance operating earning power. Business volume reached CHF 2,720.0 million (previous year: CHF 2,812.7 million), a decline of 3.3%. This was due primarily to a sluggish traditional life sector, particularly in single-premium policies.

The Swiss *non-life business* shone, with the best combined ratio ever achieved. The gross figure was 87.9% (previous year: 92.3%), an improvement of 4.4 percentage points. The improvement in the claims rate, which fell to 62.1%, was particularly notable. Careful selection of risks and efficient claims management, supported by a small major claims burden, had a strong impact during the first half. Business volume rose 0.8%, in line with the market, to CHF 961.0 million (previous year: CHF 953.8 million). Accident and transport insurance saw strong growth. Premiums for daily sickness allowance contracted due to changes in maternity protection legislation.

The Swiss *life insurance* business did not yet see a positive impact in terms of volume from rising interest rates. In this difficult market environment, business volume dropped by 5.4% to CHF 1,759.0 million. Annual premiums largely held steady, growing 2.7% in the group life business. Single premiums declined by 19% in the individual life line and by 13% in group life. Further improvement was achieved in the revenue situation in the life business, and policyholders surplus sharing reserves were shored up substantially.

Our focussed *financial services provider* business model continued to sail a course for success. The volume of new business grew by 29% to CHF 211 million, with growth coming from the sale of bank products through the insurance sales organization and through the sale of bundled products.

Thanks to encouraging growth, resolute cost management and improved risk selection, *Baloise Bank SoBas* net profit (in accordance with local accounting rules) rose sharply by 64% to CHF 14.8 million (previous year: CHF 9.0 million). Despite low interest rates and a demanding market environment, lending earnings rose by 6%. Revenues from commissions, services and trading increased 13.4%.

In the **Germany** segment, the business units Basler Securitas and Deutscher Ring achieved a combined pre-tax profit of CHF 116.5 million (previous year: CHF 49.0

million). This distinct growth is a testimony to the improvements in operating earning power. Price pressure in the non-life sector resulted in negative growth for the market as a whole, but the German life market was slightly positive. Against this background, business volume for the segment rose 4.4% to CHF 1,233.3 million (previous year: CHF 1,181.8 million). The acquisition of life insurer Moneymaxx in the second half of 2005 provided a strong boost.

*Deutscher Ring* undertook numerous measures to strongly heighten its earning power. Business volume (including investment-type premiums) grew to CHF 604.5 million (previous year: CHF 547.3 million). The 9.5% increase in euro terms is due primarily to the acquisition of Moneymaxx, whose half-year volume of CHF 62.6 million consists mainly of unit-linked products. Business volume in the core life insurance area grew thanks to the unit-linked products; new business in endowment insurance declined slightly in consequence of the new old-age pension law. Price competition put a damper on non-life insurance. The combined ratio improved to 93.3% gross (previous year: 95.2%). New products are in the pipeline to drive further growth in this lucrative area. Expansion into Eastern Europe is proceeding apace. The sales organization OVB held an IPO on 21 July 2006, which will support further targeted advances into new markets.

*Basler Securitas* continued its operating improvements according to plan and saw a significant profit increase. This enhanced earning power is due mainly to an intensified focus on high-value-adding customers. The combined ratio in the non-life business improved to 94.3% gross (previous year: 95.0%). The claims rate improved noticeably thanks to careful underwriting. Business volume came to CHF 628.8 million (previous year: CHF 634.5 million), a decline of 1.8% in euro terms due to price pressure in motor vehicle and industrial insurance. Targeted sales campaigns and better-performing products helped stimulate new business. The life insurance business volume grew 1.4% in euros.

The **Benelux** segment, consisting of Mercator in Belgium and Baloise Luxembourg, more than doubled its pre-tax earnings at CHF 109.2 million (previous year: CHF 47.8 million). Its contribution to profits originated with top-line progress in both business units and capital gains through the sale of Mercator holdings to improve the quality of the investment portfolio.

*Mercator* further improved its earning power with its operations optimization programme. It attained a business volume of CHF 384.9 million (previous year: CHF 393.2 million), a decline of 3.0% in euros. Growth in traditional life insurance products was healthy at 4.6% in euros; unit-linked life products and non-life fell.

The combined ratio was excellent: The gross figure improved by 4.8 percentage points to 94.8%, thanks above all to the focus on operational excellence and the favourable claims situation. Mercators non-life portfolio is a strong earner. The business unit is driving new business growth with its innovative products aimed at high-performing brokers and customers.

*Baloise Luxembourg* earned a substantial profit. The life and non-life lines saw a gain of 23.2% in euros in all major sales channels. Unit-linked life products performed well, albeit lower than the extraordinarily high volumes of the year-back period. Since the start of the year the business unit has also sold these products in France. Last years strong earning power in Baloise Luxembourgs non-life portfolio continued. The gross combined ratio at 91.5% was higher than the previous years excellent 89.6%.

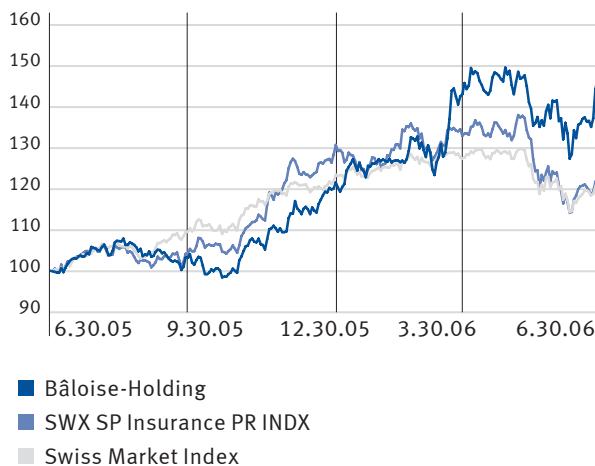
In the **Other Countries/Group Companies** segment, Basler Austria achieved a business volume of CHF 71.2 million (previous year: CHF 63.9 million), a striking renewed advance of 10.4% in euros. The business unit is increasingly focussing its sales efforts on high-value-adding target customers. With its strong growth, it is achieving ongoing improvements in operating earning power. Growth at the Croatian unit managed by Basler Austria was better than expected, especially in life insurance. The internal financing and reinsurance units belonging to the same segment achieved good results, as did the alternative financial investment companies. The segments earnings before taxes and financing costs came to CHF 148.3 million (previous year: CHF 93.6 million).

### Baloise shares

Baloise shares performed very well in the first half. Gains of 22.4% placed the Baloise second among 27 stocks. This performance was in stark contrast to the market as a whole, which advanced 0.3%, and the Swiss insurance market, which declined 4.3%. Mid-June saw major price corrections on all stock exchanges with a concomitant impact on the insurance industry. Growing inflationary fears and higher interest rates led to profit-taking and intensified uncertainty concerning the future direction of the markets. Most stocks recovered near the end of the first half. The Baloises closing share price on 30 June was CHF 93.95. Our shareholder base remains broad, with no shareholder controlling over 5% of outstanding shares; the free float is 100%.

As part of the share buyback program announced in March, 273,000 shares (equivalent to 0.5% of outstanding shares) were repurchased between 22 May and the end of June at an average price of CHF 85.54.

### Indexed share price development Baloise Holding



### Outlook for the 2006 annual accounts

With our 2006 annual result, we aim to surpass our previous record annual profit of CHF 634 million from 2000. This will require an absence of extraordinary negative occurrences on the capital markets and in extraordinary claims during the second half of 2006. We continue to pursue the objective of holding the net combined ratio below 100%.

We remain focussed on strengthening operating earning power and on the goal of achieving return on equity of 15% by 2008. Our growth is concentrated on high-value-adding target customers and business partners and on a judicious expansion of business activities.

## Business volume, premiums and combined ratio

Business volume, first half 2005	Group	Switzerland	Germany			Benelux			Other countries		
			Basler Securitas	Deutscher Ring	Total	Belgium	Luxembourg	Total	Austria	Other <sup>2</sup>	Total
Non-life	1,987.6	953.8	525.8	110.7	636.5	302.4	25.3	327.7	47.7	21.9	69.6
Life	2,425.3	1,842.6	107.8	392.3	500.1	48.6	17.8	66.4	16.2	-/-	16.2
Subtotal of IFRS gross premiums written <sup>1</sup>	4,412.9	2,796.4	633.6	503.0	1,136.6	351.0	43.1	394.1	63.9	21.9	85.8
Investment-type premiums	210.6	16.3	0.9	44.3	45.2	42.2	106.9	149.1	-/-	-/-	-/-
<b>Total business volume</b>	<b>4,623.5</b>	<b>2,812.7</b>	<b>634.5</b>	<b>547.3</b>	<b>1,181.8</b>	<b>393.2</b>	<b>150.0</b>	<b>543.2</b>	<b>63.9</b>	<b>21.9</b>	<b>85.8</b>

in CHF million

Business volume, first half 2006	Group	Switzerland	Germany			Benelux			Other countries		
			Basler Securitas	Deutscher Ring	Total	Belgium	Luxembourg	Total	Austria	Other <sup>2</sup>	Total
Non-life	2,004.6	961.0	517.6	109.6	627.2	299.7	28.3	328.0	50.7	37.7	88.4
Life	2,345.7	1,743.7	109.3	395.6	504.9	51.3	25.3	76.6	20.5	-/-	20.5
Subtotal of IFRS gross premiums written <sup>1</sup>	4,350.3	2,704.7	626.9	505.2	1,132.1	351.0	53.6	404.6	71.2	37.7	108.9
Investment-type premiums	235.9	15.3	1.9	99.3	101.2	33.9	85.5	119.4	-/-	-/-	-/-
<b>Total business volume</b>	<b>4,586.2</b>	<b>2,720.0</b>	<b>628.8</b>	<b>604.5</b>	<b>1,233.3</b>	<b>384.9</b>	<b>139.1</b>	<b>524.0</b>	<b>71.2</b>	<b>37.7</b>	<b>108.9</b>

in CHF million

Premiums earned	Non-life		Life		Total
	1st half		1st half		1st half
	2005	2006	2005	2006	2006
IFRS gross premiums written <sup>1</sup>	1,987.6	2,004.6	2,425.3	2,345.7	4,412.9
Change in premium surplus	-455.0	-517.4	-/-	-/-	-455.0
Premiums earned and policy fees	1,532.6	1,487.2	2,425.3	2,345.7	3,957.9

in CHF million

Combined ratio (gross), non-life, 6.30.05	Group	Switzerland	Germany			Benelux			Other countries		
			Basler Securitas	Deutscher Ring	Total	Belgium	Luxembourg	Total	Austria	Other <sup>2</sup>	Total
Loss ratio	64.2	67.1	67.0	39.7	61.4	66.7	48.2	65.4	61.3	32.0	54.1
Cost ratio	29.5	24.5	27.9	55.5	33.5	32.9	41.4	33.5	39.3	16.4	23.3
Surplus sharing ratio	0.4	0.7	0.1	-/-	0.1	0.0	-/-	0.0	-/-	0.4	0.1
<b>Combined ratio</b>	<b>94.1</b>	<b>92.3</b>	<b>95.0</b>	<b>95.2</b>	<b>95.0</b>	<b>99.6</b>	<b>89.6</b>	<b>98.9</b>	<b>100.6</b>	<b>48.8</b>	<b>77.5</b>

as a percentage of premiums earned

Combined ratio (gross), non-life, 6.30.06 <sup>3</sup>	Group	Switzerland	Germany			Benelux			Other countries		
			Basler Securitas	Deutscher Ring	Total	Belgium	Luxembourg	Total	Austria	Other <sup>2</sup>	Total
Loss ratio	59.4	62.1	62.3	40.5	57.6	60.0	49.0	59.2	63.7	28.5	53.8
Cost ratio	30.9	24.6	31.8	52.8	36.3	34.8	42.5	35.4	39.7	16.0	33.0
Surplus sharing ratio	0.6	1.2	0.2	-/-	0.2	0.0	-/-	0.0	-/-	0.9	0.3
<b>Combined ratio</b>	<b>90.9</b>	<b>87.9</b>	<b>94.3</b>	<b>93.3</b>	<b>94.1</b>	<b>94.8</b>	<b>91.5</b>	<b>94.6</b>	<b>103.4</b>	<b>45.4</b>	<b>87.1</b>

as a percentage of premiums earned

Combined ratio (net), non-life, first half	Gross		Net	
	2005	2006 <sup>3</sup>	2005	2006 <sup>3</sup>
Loss ratio	64.2	59.4	66.7	61.4
Cost ratio	29.5	30.9	30.9	32.2
Surplus sharing ratio	0.4	0.6	0.4	0.6
<b>Combined ratio</b>	<b>94.1</b>	<b>90.9</b>	<b>98.0</b>	<b>94.2</b>

as a percentage of premiums earned

<sup>1</sup> Premiums written and policy fees (gross)

<sup>2</sup> Group business, run-off

<sup>3</sup> Excluding legally required interest on annuity reserves

## Consolidated balance sheet, abridged (unaudited)

### Assets

	12.31.05	6.30.06
Property, plant and equipment	626.3	626.8
Intangible assets	1,162.4	1,287.2
Investments in associated companies	174.7	164.1
Investment properties	5,581.7	5,504.7
Financial assets of an equity nature		
available for sale	7,537.8	7,321.9
recognized in income at fair value	2,301.2	2,074.2
Financial assets of a debt nature		
held to maturity	8,037.0	8,033.2
available for sale	14,411.1	14,923.3
recognized in income at fair value	467.0	618.3
Mortgages and loans	17,635.5	17,671.9
Derivative financial instruments	48.6	51.5
Receivables from reinsurance	740.1	756.5
Receivables from the insurance business	593.8	890.5
Receivables from employee benefits	36.9	37.8
Other receivables	451.5	452.3
Accrued investment income	623.0	556.6
Deferred tax assets	1,022.2	1,113.2
Current income tax assets	61.4	71.3
Other assets	145.6	222.7
Cash and cash equivalents	450.2	589.1
<b>Total assets</b>	<b>62,108.0</b>	<b>62,967.1</b>

in CHF million

## Liabilities & equity

<b>Equity</b>	12,31.05	<b>6,30.06</b>
Share capital	5.5	5.5
Equity reserves	105.4	105.1
Treasury stock	-43.8	-75.6
Unrealized gains and losses (net)	664.5	323.8
Profit reserves	3,598.8	3,889.7
<b>Equity before minority interests</b>	<b>4,330.4</b>	<b>4,248.5</b>
Minority interests	60.9	62.2
<b>Total equity</b>	<b>4,391.3</b>	<b>4,310.7</b>

### Liabilities

Actuarial provisions (gross)	44,721.1	45,934.1
Liabilities from the banking business and financing contracts		
with discretionary participation feature (DPF)	326.3	341.9
measured at amortized cost	4,628.9	4,834.7
recognized in income at fair value	1,107.3	1,109.9
Financial liabilities	1,084.1	894.6
Financial provisions	104.5	118.6
Derivative financial instruments	243.4	7.3
Liabilities from the insurance business	1,648.4	1,286.6
Liabilities from employee benefits	1,418.4	1,442.8
Other liabilities and deferrals	562.8	767.0
Deferred tax liabilities	1,724.6	1,764.6
Liabilities from current income taxes	146.9	154.3
<b>Total liabilities</b>	<b>57,716.7</b>	<b>58,656.4</b>
<b>Total equity and liabilities</b>	<b>62,108.0</b>	<b>62,967.1</b>

in CHF million

## Consolidated income statement, abridged (unaudited)

	1st half 2005	1st half <b>2006</b>
Premiums earned and policy fees (gross)	3,957.9	3,832.9
Reinsurance premiums ceded	-100.3	-84.9
Premiums earned and policy fees for own account	3,857.6	3,748.0
Income from capital investments	928.4	928.3
Realized gains and losses on capital investments	222.3	307.1
Income from services	100.3	116.3
Net income from associated companies	30.1	7.9
Other operating income	29.4	76.2
<b>Income</b>	<b>5,168.1</b>	<b>5,183.8</b>
Claims and benefits paid (gross)	-3,317.3	-2,799.5
Change in actuarial provisions (gross) <sup>1</sup>	-544.6	-876.8
Share of reinsurance in claims incurred	28.5	21.7
Acquisition costs	-246.8	-215.3
Operating and administrative expenses for insurance business	-408.8	-401.4
Expense for management of capital investments	-43.8	-45.7
Interest expense on the insurance business	-40.9	-38.2
Expense from financial contracts	-58.7	-73.3
Other operating expenses	-230.5	-222.7
<b>Expense</b>	<b>-4,862.9</b>	<b>-4,651.2</b>
Borrowing costs	-29.5	-14.2
<b>Pre-tax semi-annual profit</b>	<b>275.7</b>	<b>518.4</b>
Income taxes	-58.1	-99.4
<b>Consolidated semi-annual profit</b>	<b>217.6</b>	<b>419.0</b>
in CHF million		
Allocated to:		
Shareholders	216.2	412.6
Minority interests	1.4	6.4
in CHF million		
Earnings per share		
diluted	4.0	7.6
basic	4.0	7.6
in CHF		

<sup>1</sup> without premium transfer non-life



## Consolidated statement of cash flows, abridged (unaudited)

	1st half 2005	1st half 2006
<b>Cash flow from operating activities</b>		<b>2006</b>
Pre-tax semi-annual profit	275.7	518.4
Valuation allowances and amortization/depreciation on intangible assets and property, plant and equipment	46.8	50.0
Realized gains and losses on financial instruments, investment properties and associated companies	-241.8	-310.4
Changes in actuarial provisions (gross)	899.7	1,207.2
Purchase/sale of investment properties	34.3	71.3
Purchase/sale of financial instruments of an equity nature	-532.6	639.8
Purchase/sale of financial instruments of a debt nature	-344.1	-1,276.8
Addition/disposal of mortgages and loans	68.9	3.4
Addition/disposal of derivative financial instruments	-96.4	131.8
Addition/disposal of liabilities from the banking business and financial contracts	571.9	42.0
Other changes in assets and liabilities from operating activities	-559.2	-602.5
<b>Cash flow from operating activities (gross)</b>	<b>123.2</b>	<b>474.2</b>
Taxes paid	-12.7	-24.0
<b>Cash flow from operating activities (net)</b>	<b>110.5</b>	<b>450.2</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant, equipment and intangible assets	-50.9	-72.4
Sale of property, plant, equipment and intangible assets	36.8	26.9
Acquisition of companies, net of cash and cash equivalents	-7.8	-/-
Disposal of companies, net of cash and cash equivalents	2.3	73.8
Purchase of investments in associated companies	-0.5	-0.4
Sale of investments in associated companies	30.1	8.6
Dividends from associated companies	5.7	10.5
<b>Cash flow from investing activities (net)</b>	<b>15.7</b>	<b>47.0</b>
<b>Cash flow from financing activities</b>		
Capital increases/reductions	-/-	-/-
Addition to financial liabilities	-/-	-/-
Disposal of financial liabilities	-/-	-190.3
Borrowing costs paid	-29.5	-14.2
Cash flow from treasury shares	10.8	-32.1
Dividend payments	-60.8	-121.7
<b>Cash flow from financing activities (net)</b>	<b>-79.5</b>	<b>-358.3</b>
<b>Total cash flow</b>	<b>46.7</b>	<b>138.9</b>
<b>Cash and cash equivalents</b>		
Balance as of 1 January	698.0	450.2
Change during the half-year	29.8	137.0
Changes in exchange rates on cash and cash equivalents	16.9	1.9
<b>Balance as of 30 June</b>	<b>744.7</b>	<b>589.1</b>

in CHF million

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

	Share capital	Equity reserves	Treasury shares	Unrealized gains and losses (net)	Profit reserves	Equity before minority interests	Minority interests	Total equity
<b>Balance as of 1 January, 2005</b> (after restatement per IFRS 3)	<b>5.5</b>	<b>125.6</b>	<b>-79.5</b>	<b>140.9</b>	<b>3,263.8</b>	<b>3,456.3</b>	<b>63.9</b>	<b>3,520.2</b>
Change in unrealized gains and losses on available-for-sale financial instruments				550.4		550.4		550.4
Change in unrealized gains and losses from associated companies				2.4		2.4		2.4
Change in hedging reserve on derivative financial instruments held for cash flow hedging				-0.4		-0.4		-0.4
Change in hedging reserve on derivative financial instruments as hedge of net investment in a foreign company				-181.2		-181.2		-181.2
Change in reserves from reclassification of held-to-maturity financial instruments				-6.6		-6.6		-6.6
Change in reserves from reclassification of investment properties				-/-		-/-		-/-
Currency translation adjustments				177.8		177.8		177.8
<b>Less change</b>								
in policyholder bonuses				-138.9		-138.9		-138.9
in shadow accounting (DAC, URR, terminal policyholder bonuses)				-86.6		-86.6		-86.6
in deferred taxes				-14.7		-14.7	-0.5	-15.2
<b>Total effects on equity not recognized in the income statement</b>	<b>-/-</b>	<b>-/-</b>	<b>-/-</b>	<b>302.2</b>	<b>-/-</b>	<b>302.2</b>	<b>-0.5</b>	<b>301.7</b>
Semi-annual profit					216.2	216.2	1.4	217.6
<b>Total effects on equity recognized and not recognized in the income statement</b>	<b>-/-</b>	<b>-/-</b>	<b>-/-</b>	<b>302.2</b>	<b>216.2</b>	<b>518.4</b>	<b>0.9</b>	<b>519.3</b>
Dividends					-60.8	-60.8	-8.8	-69.6
Capital increase/repayment						-/-		-/-
Purchase/sale of treasury shares		-3.6	11.0			7.4		7.4
Increase/decrease in minority interests due to change in the reporting entity structure							-0.7	-0.7
<b>Balance as of 30 June, 2005</b>	<b>5.5</b>	<b>122.0</b>	<b>-68.5</b>	<b>443.1</b>	<b>3,419.2</b>	<b>3,921.3</b>	<b>55.3</b>	<b>3,976.6</b>

in CHF million

	Share capital	Equity reserves	Treasury shares	Unrealized gains and losses (net)	Profit reserves	Equity before minority interests	Minority interests	Total equity
<b>Balance as of 1 January, 2006</b>	<b>5.5</b>	<b>105.4</b>	<b>-43.8</b>	<b>664.5</b>	<b>3,598.8</b>	<b>4,330.4</b>	<b>60.9</b>	<b>4,391.3</b>
Change in unrealized gains and losses on available-for-sale financial instruments				-746.0		-746.0		-746.0
Change in unrealized gains and losses from associated companies				-4.0		-4.0		-4.0
Change in hedging reserve on derivative financial instruments held for cash flow hedging				-1.1		-1.1		-1.1
Change in hedging reserve on derivative financial investments as hedge of net investment in a foreign company				74.8		74.8		74.8
Change in reserves from reclassification of held-to-maturity financial investments				-7.2		-7.2		-7.2
Change in reserves from reclassification of investment properties				-/-		-/-		-/-
Currency translation adjustments				-74.1		-74.1	0.1	-74.0
<b>Less change</b>								
in policyholder bonuses				209.9		209.9		209.9
in shadow accounting (DAC, URR, terminal policyholder bonuses)				126.6		126.6		126.6
in deferred taxes				80.4		80.4		80.4
<b>Total effects on equity not recognized in the income statement</b>	<b>-/-</b>	<b>-/-</b>	<b>-/-</b>	<b>-340.7</b>	<b>-/-</b>	<b>-340.7</b>	<b>0.1</b>	<b>-340.6</b>
Semi-annual profit					412.6	412.6	6.4	419.0
<b>Total effects on equity recognized and not recognized in the income statement</b>	<b>-/-</b>	<b>-/-</b>	<b>-/-</b>	<b>-340.7</b>	<b>412.6</b>	<b>71.9</b>	<b>6.5</b>	<b>78.4</b>
Dividends					-121.7	-121.7	-5.2	-126.9
Capital increase/repayment						-/-		-/-
Purchase/sale of treasury shares		-0.3	-31.8			-32.1		-32.1
Increase/decrease in minority interests due to change in the size of holdings								
<b>Balance as of 30 June, 2006</b>	<b>5.5</b>	<b>105.1</b>	<b>-75.6</b>	<b>323.8</b>	<b>3,889.7</b>	<b>4,248.5</b>	<b>62.2</b>	<b>4,310.7</b>

in CHF million

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

### Accounting basis

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 2005 consolidated financial statements. In compiling the Semi-Annual Report, the same accounting principles were used as in the 2005 annual accounts.

### Application of new accounting standards

#### IAS 19 Amendments – Actuarial Gains and Losses, Group Plans and Disclosures

In addition to new disclosure requirements, IAS 19 Amendments entails changes in the area of group plans involving multiple employers and in alternative options for treatment of unrecognized gains and losses. The Baloise does not currently apply the new option for treatment of unrecognized gains and losses. The rules concerning group plans involving multiple employers are not relevant for the Baloise Group. The additional disclosure requirements will be implemented in the 2006 annual report.

### Reallocation

The past year's figures in the Income Statement have been adjusted in line with the more sophisticated 2005 annual report. The ensuing reallocation has no impact on the result.

### Changes in the entity reporting structure

The Baloise Group sold off two small companies in the first half of 2006. No companies were acquired during the first half of 2006.

### Equity

In accordance with the resolution of the Annual General Meeting of 28 April, 2006, a dividend of CHF 2.20 per share was paid out on 4 May, 2006, for financial year 2005. The total dividend amount was CHF 121.7 million.

As part of the share buyback program announced on March 21, 2006, 273,000 Bâloise-Holding shares were repurchased between May 22 and June 30, 2006, at a cost of CHF 23.4 million. Furthermore, the Baloise Group companies acquired an additional 81,945 treasury shares with a net value of CHF 8.4 million.

### Liabilities from the banking business and financial contracts

As of 7 April, 2006, hedge accounting was suspended on the operating bond in the banking business, which is carried at fair value with gains and losses recognized in the income statement.

### Financial liabilities

The convertible bond issued by Baloise Finance (Jersey) Ltd. (1%; 1998–2006) was cancelled and redeemed before maturity at 17 February 2006. This premature redemption had no substantial impact on the result.

### Contingent and future liabilities

The Corporate Executive Committee is not aware of any new circumstances arising since the latest balance sheet date that could have a material impact on the 2006 consolidated semi-annual financial statements.

### Events after the balance sheet date

As of the date of completion of the present semi-annual report on 31 August, 2006, no events have become known which would have a material impact on the semi-annual financial statements as a whole.

### Exchange rates

Currency	Balance sheet		Income statement	
	12.31.05	6.30.06	6.30.05	6.30.06
EUR (euro)	1.55	1.57	1.55	1.56
USD (US dollar)	1.32	1.23	1.20	1.23
GBP (pound sterling)	2.26	2.27	2.26	2.27
JPY (yen)	1.12	1.07	1.14	1.10

in CHF

## Segment reporting by regions

<b>First half 2005</b>	Switzerland	Germany	Benelux	Other countries	Elimination	<b>Total</b>
Income	2,946.5	1,463.9	456.3	308.5	-7.1	<b>5,168.1</b>
Expense	-2,831.7	-1,414.9	-408.5	-214.9	7.1	<b>-4,862.9</b>
<b>Net segment income</b>	<b>114.8</b>	<b>49.0</b>	<b>47.8</b>	<b>93.6</b>	<b>-/-</b>	<b>305.2</b>
Borrowing costs						<b>-29.5</b>
<b>Pre-tax semi-annual profit</b>						<b>275.7</b>
Taxes on income						<b>-58.1</b>
<b>Consolidated semi-annual profit</b>						<b>217.6</b>

in CHF million

<b>First half 2006</b>	Switzerland	Germany	Benelux	Other countries	Elimination	<b>Total</b>
Income	2,840.2	1,535.1	487.8	323.5	-2.8	<b>5,183.8</b>
Expense	-2,681.6	-1,418.6	-378.6	-175.2	2.8	<b>-4,651.2</b>
<b>Net segment income</b>	<b>158.6</b>	<b>116.5</b>	<b>109.2</b>	<b>148.3</b>	<b>-/-</b>	<b>532.6</b>
Borrowing costs						<b>-14.2</b>
<b>Pre-tax semi-annual profit</b>						<b>518.4</b>
Taxes on income						<b>-99.4</b>
<b>Consolidated semi-annual profit</b>						<b>419.0</b>

in CHF million

## Segment reporting by business segment

<b>First half 2005</b>	Non-life	Life	Banking	Other activities/ corporate business	Elimination	<b>Total</b>
Income	1,643.8	3,330.0	114.9	131.6	-52.2	<b>5,168.1</b>
Expense	-1,483.5	-3,233.2	-94.9	-103.5	52.2	<b>-4,862.9</b>
<b>Net segment income</b>	<b>160.3</b>	<b>96.8</b>	<b>20.0</b>	<b>28.1</b>	<b>-/-</b>	<b>305.2</b>
Borrowing costs						<b>-29.5</b>
<b>Pre-tax semi-annual profit</b>						<b>275.7</b>
Taxes on income						<b>-58.1</b>
<b>Consolidated semi-annual profit</b>						<b>217.6</b>

in CHF million

<b>First half 2006</b>	Non-life	Life	Banking	Other activities/ corporate business	Elimination	<b>Total</b>
Income	1,694.0	3,268.5	127.4	140.7	-46.8	<b>5,183.8</b>
Expense	-1,390.2	-3,110.3	-96.3	-101.2	46.8	<b>-4,651.2</b>
<b>Net segment income</b>	<b>303.8</b>	<b>158.2</b>	<b>31.1</b>	<b>39.5</b>	<b>-/-</b>	<b>532.6</b>
Borrowing costs						<b>-14.2</b>
<b>Pre-tax semi-annual profit</b>						<b>518.4</b>
Taxes on income						<b>-99.4</b>
<b>Consolidated semi-annual profit</b>						<b>419.0</b>

in CHF million

## Key dates and contacts

### March 21, 2007

Annual Media Conference

### March 21, 2007

Meeting of Financial Analysts

### April 27, 2007

Annual General Meeting Baloise-Holding

### September 6, 2007

Half-Year Media Conference

### September 6, 2007

Meeting of Financial Analysts

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## Note on forward-looking statements

This publication is intended to provide an overview of the Baloises business performance. It contains forward-looking statements including forecasts of future events, plans, goals, business activity and earnings based on the Baloises current expectations and assumptions. These forward-looking statements should be used with due caution as they inherently entail both known and unknown risks and uncertainties and could be affected by other factors. In consequence, business activity, earnings, plans and goals could diverge significantly from those presented explicitly or implicitly in the 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) renewals and lapses of insurance policies. The Baloise assumes no obligation to update or revise these forward-looking statements to take account of new data, future events, etc.

The 2006 Semi-Annual Report is available in German, English and French. The German text is definitive. The 2006 Semi-Annual Report will also be available on the Internet at [www.baloise.com/semi-annualreport](http://www.baloise.com/semi-annualreport) from 5 September 2006 on.

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