

Semi-Annual Report 2004

Dear Shareholders

It gives us great pleasure to present to you a very gratifying 2004 half-year result for the Baloise Group. The CHF 128.6 million profit testifies to the success of our measures to enhance operating earnings power in all business units. The results in the non-life segment are particularly gratifying.

The **non-life segment** posted a profit before tax and minority interests of CHF 144.5 million. Premium growth amounted to 0.6%. There was a marked improvement in the combined ratio: the gross figure fell to an outstanding 94.6% (2003: 100.6%), and the net combined ratio of 98.4% is an improvement by 6 percentage points against the figure for the same period in 2003.

Owing to the sluggish economy, market conditions that have remained unattractive, and the one-time burden imposed by the new legal quote in Swiss group life business, the **life insurance segment** reported a loss of CHF -0.7 million.

The **banking segment** contributed CHF 16.5 million before tax and minority interests to the Group's consolidated result.

Capital investments produced a return of 1.5% in the first half of 2004, a figure for which the interest rate environment and unfavorable currency developments are largely responsible.

In the first half of 2004 the **Baloise stock** outperformed the Swiss Market Index by 5.3%. There were no substantial changes in the ownership structure.

For the full year 2004, we expect a substantial year-on-year increase in profit despite a one-off charge of around CHF 70 million resulting from the sale of Mercator Bank and some already known major claims in the second half of the year.



Rolf Schäuble
Chairman of the
Board of Directors

Frank Schnewlin
Chief Executive Officer

The most important figures at a glance

Income statement	6.30.03	12.31.03	6.30.04	Change in % as against 6.30.03
Total premium income	4,890.7	7,374.7	4,415.5	- 9.7
Of which non-life	1,987.7	3,088.8	2,000.2	0.6
Of which life	2,910.4	4,301.1	2,423.5	- 16.7
Investment-type premiums	104.8	261.0	147.4	40.6
Consolidated				
net profit/loss	- 36.6	91.4	128.6	-

in CHF m

Balance sheet	6.30.03	12.31.03	6.30.04	Change in % as against 6.30.03
Investments	55,973.1	56,307.7	56,024.6	0.1
Technical provisions	42,716.3	42,328.7	42,808.0	0.2
Capital and reserves	3,311.2	3,319.8	3,158.6	- 4.6

in CHF m

Ratios	6.30.03	12.31.03	6.30.04	Change as against 6.30.03
Combined ratio				
non-life (gross)	100.6	97.6	94.6	- 6.0
Combined ratio				
non-life (net)	104.4	103.2	98.4	- 6.0

in percent

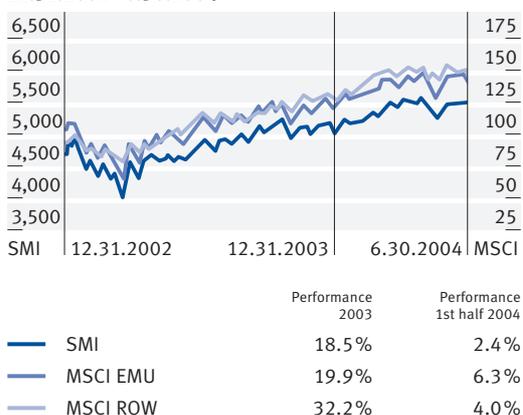
Key share data	6.30.03	12.31.03	6.30.04	Change in % as against 6.30.03
Capital and reserves				
per share in CHF	59.9	60.02	57.11	- 4.6
Consolidated net profit/				
loss per share in CHF	- 0.7	1.67	2.32	-
Closing price in CHF	44	51.65	54	23.5
Market capitalization				
in CHF m	2,436	2,857	3,009	23.5

General market developments

In the first half of 2004, developments in the **economic environment** were satisfactory. In the wake of strong economic growth in the USA and China, European indicators have now also taken a turn for the better. In the USA there have already been indications of interest rate increases to contain incipient inflation. Thus, the initial increase of 0.25% announced at the end of June was not unexpected. Prior to this, Switzerland had already decided in favor of a similar rise of 0.25%.

Whereas interest rate concerns and the terrorist attacks in Madrid negatively affected **financial markets** towards the end of the first quarter, the dominant topic in the second quarter was the high price of oil. All in all, though, developments in the stock markets were positive. After strong performances in January and February, markets underwent a correction in March. Movements in the second quarter remained within the normal range. In the first half of the year, the Swiss Market Index advanced by 2.4% and the MSCI EMU by 6.3%. Securities in the energy, consumer good and industrial sectors outperformed, while financial stocks lagged the overall market.

Stock market developments and performance
12.31.2002 – 6.30.2004



The above mentioned indications of a series of interest rate increases in the USA put pressure on the **bond markets**. In contrast to the first quarter, during which bond prices held their own, yields rose in the second quarter. Signs of a turn in this trend, however, were already apparent in the last weeks of June. Inflationary expectations as reflected in bond prices are relatively mild and risk premiums on corporate bonds are low. In the first half year, interest rates in Switzerland (as measured by the yield on 10-year confederation bonds) advanced slightly from 2.72% to 2.88%. In the euro zone interest rates (as measured

by German 10-year government securities) were almost unchanged, edging up from 4.29% at the beginning of the year to 4.32%.

The depreciation of the US dollar was halted, at least temporarily, in the first half of the year. As a result, **currency markets** exercised considerably less influence on financial markets than in the previous year. The US currency recovered slightly against the Swiss franc. It is notable that the US dollar is far less volatile than a year ago. Whereas in the first quarter the euro trended sideways against the Swiss franc, this development was followed by a pronounced weakness in the second quarter. At the end of June, the euro was down by 2.3% against the Swiss franc and 3.1% against the US dollar.

Developments in the financial markets were influenced not only by interest rate developments, but also by the oil price. Driven by unrest in the Middle East and hedge fund speculation, the **oil price** rose by 21.3% in the first half of the year. The trend in the **gold price** has been broken. After a strong advance in 2003, the gold price has fallen by 5.1% this year.

Compared to 2003, stock markets have had little influence on **insurance markets** this year. This is due both to the drop in market volatility and moves on the part of insurance companies to reduce their exposure to shares. A positive development for insurance companies was the rise in bond yields compared to the same period in 2003, the effect of which was particularly pronounced in the life segment. On the non-life side, there were hardly any major loss claims to be registered.

In the **banking sector**, the low level of interest rates has led to greater demand for fixed-interest loans, whereas on the liabilities side there has been a strong trend towards variable-rate deposits. In consequence, as interest rates rise, margins in the interest business tend to fall. Income from commissions and services, which is dependent on stock market developments, rose year-on-year.

Baloise Group business development

The Baloise Group's profit in the first half of the year surged to CHF 128.6 million. One year back, the Group had posted a loss of CHF -36.6 million. This reflects the marked improvement in the operating performance of the business units. The new legal quote (surplus sharing ratio) in group life insurance in Switzerland and the unfavorable exchange rate against the euro had a dampening effect on the results. Overall premium income amounted to CHF

4,415.5 million (1H 2003: CHF 4,890.7 million). This decrease of 9.7% is largely a reflection of weak demand for life insurance in Switzerland, in particular for single-premium policies.

The **non-life segment** reported a premium volume of CHF 2,000.2 million (1H 2003: CHF 1,987.7 million), which represents a growth rate of 0.6%. Switzerland, Belgium, Austria and Luxembourg registered an increase in premium volume, whereas premium intake in Germany dropped, in particular at Basler Securitas owing to portfolio restructuring. There was a significant improvement in the combined ratio: the gross figure fell to 94.6% (1H 2003: 100.6%) and the net figure to 98.4% (1H 2003: 104.4%). This testifies to the success of the measures adopted at the different business units to enhance operating earnings power. Moreover, there were only very few major losses to be settled. The segment posted a profit before tax and minority interests of CHF 144.5 million (1H 2003: CHF -24.6 million).

The **life insurance segment** reported a premium volume of CHF 2,423.5 million (1H 2003: 2,910.4 million), representing a decrease of 16.7%. The reason for this decline lies in the unattractive market environment for Swiss single premium business. Furthermore, the introduction of the legal quote imposed an additional one-time charge of CHF 26 million on Swiss results – subject to the approval of the introduction concept by the Federal Office of Private Insurance. This special measure and interest margins that remain below par for parts of the portfolio are

the principal factors behind the sector's loss before tax and minority interests of CHF -0.7 million (1H 2003: CHF -39.1 million).

The **banking sector** realized earnings of CHF 50.6 million on its interest business. The segment's profit before tax and minority interests came to CHF 16.5 million, much the same as in the first half of 2003. Baloise Bank SoBa made the largest contribution to this result.

Since the end of 2003 we have exploited favorable stock market sentiment to moderately raise the equity exposure of our **capital investments** from 6.2% to 6.8% as at the end of June. We continued to reduce our cash holdings. The allocations of the other investment categories have remained more or less unchanged for the year to date. The investment portfolio as a whole produced a performance of 1.5% (1H 2003: 2.8%). This is largely a consequence of developments in interest and exchange rates.

Developments in core markets

In the first half of 2004 Baloise **Switzerland** achieved a premium volume of CHF 2,757.2 million (1H 2003: CHF 3,241.9 million). The cause of this 15% decline is the continued low demand for single premium life insurance policies. By contrast, the non-life segment posted further growth. A sharp improvement in operating earnings power helped to raise profits before tax to CHF 45.3 million (1H 2003: CHF -56.2 million) despite the negative impact caused by the introduction of the legal quote in group life.

	Gross premiums		Profit/loss before tax and minority interests	
	1st half 2003	1st half 2004	1st half 2003	1st half 2004
Results by business segment	2003	2004	2003	2004
Non-life	1,987.7	2,000.2	- 24.6	144.5
Life	2,910.4	2,423.5	- 39.1	- 0.7
Banking	-	-	17.0	16.5
Other activities	-	-	27.8	20.4
Elimination	- 7.4	- 8.2	-	-
Total	4,890.7	4,415.5	- 18.9	180.7

in CHF m

	Gross premiums		Profit/loss before tax and minority interests	
	1st half 2003	1st half 2004	1st half 2003	1st half 2004
Results by geographical segment	2003	2004	2003	2004
Switzerland	3,241.9	2,757.2	- 56.2	45.3
Germany	1,190.3	1,168.6	- 1.0	73.9
Benelux countries	381.1	408.1	- 76.4	- 12.3
Other countries and Group business	215.9	204.1	114.7	73.8
Elimination	- 138.5	- 122.5	-	-
Total	4,890.7	4,415.5	- 18.9	180.7

in CHF m

Non-life business in Switzerland attained a premium volume of CHF 932.8 million, up by 3.2% (1H 2003: CHF 903.4 million). The private customers segment accounted for most of the increase. In spite of the necessary rate adjustments, few contracts were prematurely terminated by clients. The combined ratio showed a distinct improvement with the gross figure coming down to an outstanding 94.0% (1H 2003: 100.2%), owing mainly to the markedly lower loss ratio of 67.8% (1H 2003: 73.8%) and to effective cost management.

The difficult environment in the financial markets, including low yields on life products, continues to affect the *life business* in Switzerland. This is reflected in a premium volume of CHF 1,824.4 million (1H 2003: CHF 2,338.5 million). The decline of 22% was primarily a result of lower single-premium income in both group and individual life. Annual premiums, increasingly linked to comprehensive pension planning, turned in a pleasing performance.

Cooperation in distribution between the insurance and banking arms continued to make solid progress. Customer deposits, securities under management, mortgages and loans to the value of CHF 159 million were generated in this fashion. Innovative products in the fields of mortgages and pensions have opened up new prospects.

Baloise Bank SoBa posted a pre-tax profit of CHF 9.4 million (1H 2003: CHF 5.5 million) in the first half of the year, an increase of 70.9%. Favorable developments in commission business and services were offset by declining income from interest operations owing to fierce competitive pressure and interest hedging costs.

In **Germany**, restructuring of the underwriting business led to a 5.7% drop in the premium volume to CHF 1,168.6 million in local currency (1H 2003: CHF 1,190.3 million). Life insurance remained on the level of the first half year 2003. Nevertheless, the German business units reported a significantly higher profit before tax and minority interests of CHF 73.9 million (1H 2003: CHF -1.0 million).

Deutscher Ring recorded premium income of CHF 502.6 million (1H 2003: CHF 489.7 million), which represents a decrease of 1.4% in local currency. However, the earnings situation continued to improve. In the non-life business the company achieved a combined ratio of 90.3% gross (1H 2003: 92.8%). The current emphasis is on measures to boost sales. In response to growing demand for occupational pensions, "Deutscher PensionsRing" was launched at the beginning of 2004.

The integration of *Basler Securitas* is well advanced. Compared to the first half of 2003, operating earnings power rose significantly and made a substantial contribution to the positive result of its segment. The combined ratio improved to 99.4% gross (1H 2003: 105.3%). The premium volume came to CHF 666.0 million (1H 2003: CHF 700.6 million), a decline of 8.7% in local currency that is primarily due to the trimming of the portfolio.

The **Benelux** segment posted a loss before tax and minority interests of CHF -12.3 million (1H 2003: CHF -76.4 million), caused by impairments. *Mercator Insurance* recorded a premium income of CHF 364.0 million (1H 2003: CHF 343.4 million). The growth of 1.8% in local currency indicates that the technical restructuring has largely been completed. The combined ratio produced an outstanding improvement, falling to 93.5% gross compared with 101.9% gross in the previous year. *Baloise Luxembourg* increased premium income in local currency by 12.5% to CHF 44.2 million (1H 2003: CHF 37.7 million). Life insurance accounted for most of this growth. The combined ratio improved to 99.3% gross (1H 2003: 102.0%).

In the **Other countries/Group companies** segment *Basler Austria* achieved a premium volume of CHF 59.0 million (1H 2003: CHF 53.1 million), which represents very satisfying organic growth in local currency of 6.8%. The combined ratio rose to 113.1% gross (1H 2003: 109.2%), pushed up primarily by some major losses. The units responsible for internal financing and reinsurance reported solid results thanks to the favorable level of claims and despite unfavorable currency movements. The profit for this segment before tax and minority interests amounted to CHF 73.8 million (1H 2003: CHF 114.7 million).

Capital and reserves

Between the end of 2003 and the end of June 2004, consolidated capital and reserves decreased by 4.9% to CHF 3,158.6 million. The main factors behind the decline were the introduction of the legal quote in Switzerland, unfavorable currency developments and higher interest rates.

Semi-Annual Report 2004
Consolidated income statement (not audited)

Income	1st half	1st half
	2003	2004
Gross premiums written and policy fees ¹	4,890.7	4,415.5
Reinsurance premiums ceded	- 161.9	- 131.7
Premiums written and policy fees for own account	4,728.8	4,283.8
Change in unearned premium reserve for own account	- 400.2	- 426.6
Premiums earned and policy fees for own account	4,328.6	3,857.2
Investment income (net)	974.3	934.5
Realized gains and losses on investments (net)	- 201.9	123.5
Income from other services	118.6	141.0
Other income	50.1	56.3
Total income	5,269.7	5,112.5

Expenses

Claims incurred including processing costs (non-life)	- 1,035.5	- 952.5
Claims and benefits paid (life)	- 1,876.6	- 2,318.7
Change in actuarial reserve (life)	- 1,200.7	- 348.0
Surplus and profit allocations to policyholders	- 74.4	- 179.7
Acquisition costs	- 242.2	- 244.6
Administrative and other operating expenses	- 611.1	- 634.2
Interest payable	- 196.2	- 229.5
Amortization of intangible assets and depreciation of tangible non-current assets	- 51.9	- 24.6
Total expenses	-5,288.6	-4,931.8

1st half profit/loss before tax and minority interests	- 18.9	180.7
Tax on income	- 12.2	- 48.2
Minority interests	- 5.5	- 3.9
Consolidated 1st half net profit/loss	- 36.6	128.6

in CHF m

1st half profit/loss per share (identical values for "basic" and "diluted")	- 0.7	2.3
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in CHF

1 Additional information

Gross premiums written and policy fees	4,890.7	4,415.5
Investment-type premiums	104.8	147.4
Gross premiums, policy fees and investment-type premiums	4,995.5	4,562.9

in CHF m

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

Semi-Annual Report 2004
Consolidated balance sheet (not audited)

Assets

	12.31.2003	6.30.2004
Investments		
Fixed-interest securities		
Held for trading	334.3	290.4
Held to maturity	10,348.6	10,626.7
Available for sale	18,842.5	19,110.7
Shares		
Held for trading	200.6	207.6
Available for sale	3,275.3	3,612.6
Alternative financial assets	1,337.9	1,660.1
Derivatives	292.9	131.6
Investment property	5,653.4	5,637.5
Mortgage loans	11,002.4	10,952.4
Policy and other loans	1,456.6	1,373.0
Participating interests in associates	223.8	207.7
Other short-term investments		
Held for trading	1.2	1.5
Held to maturity	1,840.7	1,229.6
Available for sale	805.5	512.8
Cash and cash equivalents	692.0	470.4
Total investments	56,307.7	56,024.6
Total investments for account and risk of life insurance policyholders	798.2	890.7
Other assets		
Reinsurance assets	737.1	699.8
Receivables arising out of insurance operations	1,289.0	1,449.8
Assets relating to employee benefits	41.2	42.2
Other receivables	1,385.6	1,493.6
Accrued investment income	798.2	678.0
Deferred acquisition costs	985.9	1,030.1
Badwill	- 42.1	- 19.8
Other intangible assets	164.4	171.3
Property, plant and equipment for own use	605.3	585.6
Other non-tangible non-current assets	91.4	82.6
Deferred tax	905.9	921.6
Other assets	233.0	267.9
Total other assets	7,194.9	7,402.7
Total assets	64,300.8	64,318.0

in CHF m

Liabilities and capital and reserves

Capital and reserves	12.31.2003	6.30.2004
Share capital	5.5	5.5
Capital reserves	90.3	77.5
Less: treasury stock	- 49.7	- 51.1
Unrealized gains and losses	161.1	- 81.3
Accumulated profit	3,112.6	3,208.0
Total capital and reserves	3,319.8	3,158.6
Minority interests	40.7	40.5

Liabilities

Unearned premiums reserves (gross)	493.3	935.6
Loss reserves (gross)	4,786.3	4,801.2
Actuarial reserve life (gross)	32,985.7	33,016.1
Policyholder bonuses credited and provisions for future policyholder bonuses	4,063.4	4,055.1
Technical provisions for account and risk of life insurance policyholders	798.1	890.7
Payables arising from insurance operations	1,620.7	1,694.1
Deposit fund liabilities arising from reinsurance	451.5	406.3
Liabilities from banking business and loans	11,411.7	11,447.2
Derivatives	252.4	183.3
Non-technical provisions	118.9	121.0
Benefits due to employees	680.0	636.8
Deferred tax	1,640.8	1,616.3
Other liabilities and deferred income	1,637.5	1,315.2
Total liabilities	60,940.3	61,118.9
Total liabilities and capital and reserves	64,300.8	64,318.0

in CHF m

Consolidated capital and reserves and combined ratio non-life (not audited)**Consolidated capital and reserves**

	Share capital	Capital reserves	Less: treasury stock	Unrealized gains and losses (net)	Accumulated profit	Total capital and reserves
Balance at December 31, 2003	5.5	90.3	- 49.7	161.1	3,112.6	3,319.8
Movement on unrealized gains and losses						
on investments (net)	-	-	-	- 212.8	-	- 212.8
Foreign exchange differences	-	-	-	- 29.6	-	- 29.6
Dividends	-	-	-	-	- 33.2	- 33.2
Consolidated 1st half profit	-	-	-	-	128.6	128.6
Purchase / sale of treasury stock	-	- 12.8	- 1.4	-	-	- 14.2
Balance at June 30, 2004	5.5	77.5	- 51.1	- 81.3	3,208.0	3'158.6

in CHF m

Combined ratio (non-life)

Group	Gross			Net		
	6.30.03	12.31.03	6.30.04	6.30.03	12.31.03	6.30.04
Loss ratio	70.1	67.3	62.8	72.3	71.2	65.1
Expense ratio	30.1	29.9	31.3	31.7	31.6	32.8
Surplus sharing ratio	0.4	0.4	0.5	0.4	0.4	0.5
Combined ratio	100.6	97.6	94.6	104.4	103.2	98.4

as a percentage of premiums earned

By geographical segment (gross)	Switzerland			Germany			Benelux			Other countries		
	6.30.03	12.31.03	6.30.04	6.30.03	12.31.03	6.30.04	6.30.03	12.31.03	6.30.04	6.30.03	12.31.03	6.30.04
Loss ratio	73.8	71.3	67.8	68.1	64.9	59.0	71.1	67.1	62.7	53.4	53.8	58.5
Expense ratio	25.5	23.8	25.0	34.7	36.1	38.6	30.8	31.2	31.2	19.6	18.4	24.3
Surplus sharing ratio	0.9	0.8	1.2	0.1	0.1	- 0.1	-	-	-	0.1	0.2	0.0
Combined ratio	100.2	95.9	94.0	102.9	101.1	97.5	101.9	98.3	93.9	73.1	72.4	82.8

as a percentage of premiums earned

Semi-Annual Report 2004
Consolidated cash flow statement, abridged (not audited)

	1st half 2003	1st half 2004
Cash flow from operating activities		
Net profit/loss for the half-year before tax	- 18.9	180.7
Realized gains and losses on the sale of investments	201.9	- 123.5
Amortization of intangible assets and depreciation of tangible non-current assets	51.9	24.6
Unearned premium reserves	437.1	437.0
Loss reserves	260.4	195.0
Actuarial reserve (life)	1,976.7	324.0
Other cash flow from operating activities	- 381.6	- 664.0
Cash flow from operating activities	2,527.5	373.8
Purchase/disposal of fixed-interest securities and similar	- 2,152.5	- 1,097.1
Purchase/disposal of shares	2,835.6	- 261.3
Purchase/disposal of investment property	- 88.7	- 47.3
Purchase/disposal of participating interests in associates	0.7	12.9
Other cash flow from investing activities	- 3,371.2	630.0
Cash flow from investing activities	- 2,776.1	- 762.8
Capital increases/capital reductions	-	-
Cash flow from investment-type products	76.2	106.1
Changes in liabilities from banking business and loans	401.4	114.6
Dividends paid	- 22.1	- 33.2
Other cash flow from financing activities	12.8	- 14.2
Cash flow from financing activities	468.3	173.3
Effect of foreign exchange rate changes on cash and cash equivalents	- 29.0	- 5.9
Total movement in cash and cash equivalents	190.7	- 221.6
Cash and cash equivalents		
As at January 1	675.8	692.0
Movement during 1st half year	190.7	- 221.6
As at June 30	866.5	470.4

in CHF m

Basis of accounting

The Semi-Annual Report – which has not been verified by the auditors – was prepared in accordance with International Financial Reporting Standards (IFRS) on the basis of IAS 34 by way of interim reporting. The first-half report should be read in conjunction with the 2003 Consolidated Financial Statements. The general principles and accounting standards have not changed in comparison with 2003.

Events after the balance sheet date

As announced on August 11, 2004, Mercator Insurance has reached an agreement on the sale of its subsidiary, Mercator Bank. The transaction still requires the approval of the Belgian authorities. It is likely to be concluded by the end of 2004. The sale will lead to a one-off charge of an estimated CHF 70 million to the second half of 2004 accounts.

Introduction of the legal quote in Switzerland

The so-called legal quote has been in force in Swiss group life business retroactively since January 1, 2004 on the basis of legislation that became effective on April 1, 2004. This means that, pursuant to the new legal requirements, the policyholders' shares in the annual profits according to commercial law, in the unrealized gains and losses on investments recognized in the capital and reserves according to IFRS, and in the value increases or decreases carried in the consolidated statements – as against the statements according to commercial law – are allocated to specifically designated provisions.

As the Federal Office of Private Insurance (FOPi) had not, by the date this Semi-Annual Report went to print, issued any detailed regulations on how the above-mentioned policyholders' shares are to be determined, nor given final approval to the concept for the introduction of the legal quote, it is basically possible that the relevant shares allocated will still be subject to adjustments.

Change in the scope of consolidation

In the first half of 2004, the Baloise Group did not make any further major acquisitions or disposals.

Capital and reserves

On May 19, 2004, a dividend of CHF 0.6 per share was paid out for fiscal 2003, in accordance with the resolution of the General Meeting held on May 14, 2004. This corresponds to a total dividend of CHF 33.2 million.

Contingent liabilities and commitments

Since the last balance sheet date, the Corporate Executive Committee is not aware of any new facts that could have a significant impact on the consolidated accounts for the first half of 2004.

Baloise stock

Baloise shares outperformed the Swiss Market Index (SMI) in the first half of 2004, posting a gain of 5.3% against the SMI's 2.4%. Rising interest rates, the terrorist attacks in Madrid and the sharp increase in energy prices were the crucial factors impacting the stock markets in the first half of the year. There were no noteworthy changes in shareholdings in the Baloise compared with the end of 2003.

Stock markets rose strongly in January and February, with the SMI advancing by 5.7%. Although this trend continued in early March, the market collapsed after the terrorist attacks in Madrid on the 11th of the month. In addition, fears of rising interest rates in the USA further undermined the share price recovery. Between March and June the Swiss Market Index gave back a large part of the gains posted in the first two months of the year. Finally, stock markets also suffered from record oil prices, which rose by 21.3% in the first half of the year.

By the end of February, the **Baloise stock** had risen by 17.8%, but it could not be insulated against the impact of the attacks in Madrid. In March the stock lost 12.7%. However, in the remaining months of the first half, the share price recovered to close at CHF 54.40 at the end of June, or 5.3% above the price at the beginning of the year.

Looking at the **relative performance** of the Baloise stock against the SMI, we again have to distinguish between the periods before and after the Madrid bombings. In the first phase up to March 11, the Baloise stock outperformed the SMI. As happened after the WTC disaster, the Madrid bombings hit insurance companies harder than the overall market. Yet compared to the SPI Insurance Index (SXIS), the Baloise stock more than held its own, outperforming the sector by 2.5%.

There were no notable changes in the composition of Baloise **shareholders**. No single shareholder owns more than 5% of outstanding shares. The free float of the Baloise stock comprises all of the company's shares. After rising by 25.6% in 2003, the number of registered shareholders increased by another 7.3% in the first half of 2004 to 16,123, which further underlines the fact that the Baloise is a true public company with a widely dispersed stock ownership.

Outlook for the full year 2004

Improving the operational earnings power in all our business units and sectors will remain the chief focus for the second half of the year.

For 2004 as a whole we anticipate a non-life growth of about 2% and a combined ratio of around 97% gross. In the life business we expect premium volumes to decline by about 10%.

Despite the one-time charge of an estimated CHF 70 million arising from the sale of the Mercator Bank, we expect a marked year-on-year increase in profit. This forecast is based on the assumption of a normal level of losses within the scope of the already known major claims in the second half of the year and stability in the financial markets.

Key dates

4.6.2005

Balance Sheet Media Conference

4.6.2005

Meeting of Financial Analysts

5.18.2005

Annual General Meeting Baloise-Holding

9.7.2005

Half-Year Media Conference

9.7.2005

Meeting of Financial Analysts

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Cautionary Statement

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This Semi-Annual Report is also available in German and French. The German version is binding. The Semi-Annual Report 2004 is available on the Internet under www.baloise.com from September 9, 2004.