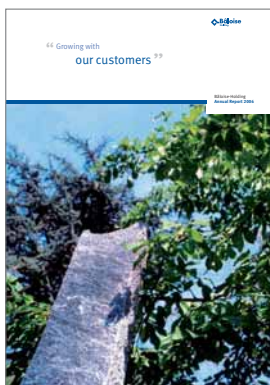


“ Growing with
our customers ”

Bâloise-Holding
Annual Report 2006





Illustrations in the Annual Report

**“Giardino all’italiana”,
a comprehensive work of art by Luciano Fabro*,
photos by Barbara Graf Horka.**

The Baloise strives for profitable growth – together with its customers, with whom it maintains a partnerlike relationship. The illustrations in this report symbolize this ambition: human creation blends with nature in the “Giardino all’italiana” in front of the Baloise Asset Management building in the heart of Basel. A piece of authentic Baloise world.

In the mid 1990s the Baloise commissioned the renowned Italian artist Luciano Fabro with an unusual project. Fabro transformed the surroundings of the Baloise’s new office situated on the Picassoplatz in the heart of Basel into a garden landscape. He called it “Giardino all’italiana”. In Fabro’s spatial design, the office building seems to rise up out of a huge dark surface. Like a sea at nighttime, it reflects the stellar constellations of the southern hemisphere. Bright inlaid marble represents the Milky Way, electric lights mark the positions of the stars. Steles made of granite stand erect on this dark ground, cut like in the vineyards of Giornico in southern Switzerland.

* Luciano Fabro, born 1936 in Turin, lives in Milan. He has had numerous solo exhibitions in Europe and the USA to his name since the mid 1960s. He has also published a large number of works on the theory of art and won several international prizes and awards.

Contents

Baloise at a glance _____	
The essentials in brief	1
The Baloise’s markets	2
The strategy of the Baloise Group	4
To our shareholders _____	
Rolf Schäuble and Frank Schnewlin on the record result	8
Baloise share	12
Review of the business year _____	
Group	16
Switzerland	20
Germany	21
Belgium and Luxembourg	22
Other countries	23
Growing with our customers _____	
Switzerland: Financial services provider	26
Belgium: Gezinsplan	29
Germany: Customer retention	30
Sustainable business conduct _____	
Human resources: We want excellence in leadership	34
Ecology: Going easy on the environment	38
Risk management: Risk is our business	40
Corporate governance: Transparency in management	42
Board of Directors and management structure _____	
Board of Directors	60
Management structure	61
Management information _____	
Consolidated income statement	64
Consolidated balance sheet	66
Business volume, premiums and combined ratio	67
Technical income statement	68
Gross premiums by line of business	69
Embedded value	70
Banking business	72
Investment performance	73
Bâloise-Holding, income statement	77
Bâloise-Holding, balance sheet	78
Bâloise-Holding, notes	79
Addresses	83

The essentials in brief

Business volume	2005	2006	+/- %
Gross premiums written, nonlife	3,055.4	3,065.1	0.3
Gross premiums written, life	3,783.7	3,651.4	-3.5
Subtotal of IFRS gross premiums written ¹	6,839.1	6,716.5	-1.8
Investment-type premiums	554.4	774.7	39.7
Total business volume	7,393.5	7,491.2	1.3
in CHF million			
Business results			
Nonlife profit ²	255.1	542.2	112.5
Life profit ²	149.2	246.2	65.0
Banking profit ²	77.0	63.6	-17.4
Profit of other activities / corporate business ²	48.0	89.4	86.3
Consolidated profit	403.5	707.1	75.2
in CHF million			
Balance sheet			
Investments (including unit-linked life insurance)	56,470.1	59,357.1	5.1
Technical reserves	44,915.9	46,521.8	3.6
Equity	4,391.3	4,986.5	13.6
in CHF million			
Ratios			
Return on equity (RoE)	10.3	15.3	
Combined ratio, nonlife (gross)	100.6	90.2	
Combined ratio, nonlife (net)	100.0	94.0	
New business margin, life	5.3	7.3	
Investment performance	5.0	4.5	
in percent			
Embedded value, life insurance			
Embedded value	2,359.7	2,627.8	
APE (annual premium equivalent)	225.4	217.2	
Value of new business	12.0	15.9	
in CHF million			
Key share data			
Shares issued in units	55,307,150	55,307,150	
Consolidated profit per share in CHF	7.3	12.9	76.7
Equity per share in CHF ³	79.8	91.0	14.1
Closing price in CHF	76.75	121.80	58.7
Market capitalization in CHF million	4,244.8	6,736.4	58.7
Dividend per share in CHF ⁴	2.2	3.8	72.7

¹ Premiums written and policy fees, gross

² Before taxes and financing costs

³ Calculated on the basis of consolidated shareholders' equity before minority interests and average number of outstanding shares

⁴ 2006 based on proposal to the General Meeting

Who we are

The Baloise Group operates in selected markets of continental Europe. With around 8,000 employees, the Baloise provides comprehensive insurance and pension solutions to individuals and companies. To achieve sustainable and profitable growth, the Group focuses on high-value customers and distributors. Baloise-Holding registered shares are included in the Swiss Market Index and traded under the symbol BALN.

Highlights in 2006

- Record profit of CHF 707.1 million.
- 15.3% return on equity, goal reached two years earlier than planned.
- Net combined ratio of 94.0% thanks to a focus on target customers and operational excellence.
- Life insurance new business margin of 7.3%.
- 39.7% growth in targeted unit-linked life insurance segment.

What we want to achieve

- Assuming ongoing favorable market conditions: return on equity of at least 15% and a combined ratio in the non-life business of well below 100%.
- Continuous increase of earnings per share.
- Overall business growth in line with market average.
- Above-average growth in high-value target segments, including unit-linked life insurance.
- Focus on organic growth and targeted acquisitions in existing markets in continental Europe.

The Baloise's markets

The Baloise focuses on markets, customers, distribution channels and solutions with high value-adding potential.

Customers

Private individuals as well as small and medium-sized enterprises with a favorable risk and return profile. Selected industrial clients in Switzerland and in Germany.

Regional markets

Switzerland, Germany, Belgium, Luxembourg, Austria and Croatia.

Switzerland

In its home market of Switzerland the Baloise operates under the Basler Versicherungen and Baloise Bank SoBa brands. Basler Versicherungen is the corporation's biggest business unit. As a financial services provider, it focuses on comprehensive insurance and pension solutions. Its customers are private individuals, small and medium-sized enterprises and selected industrial corporations. The Baloise's own sales staff forms the heart of the distribution system. Additionally there are selected agents for specific product and customer segments as well as brokers and the internet. Baloise Bank SoBa positions itself as a universal bank in the Solothurn region and supplements the Baloise's pension product range in a targeted fashion with bank products sold through the insurance sales force. Baloise Asset Management AG in Basel provides various investment solutions for institutional investors.

Germany

The Baloise operates in Germany through the Basler Versicherungen and Deutscher Ring units. Basler, based in Bad Homburg, focuses on property insurance and offers financial security and retirement solutions for private individuals, small and medium enterprises and selected industrial customers. For distribution the Baloise mainly relies on its own sales force and on brokers.

Deutscher Ring in Hamburg is a pension and savings specialist for individuals. The core of its offerings consists of retirement and health-related financial products. Deutscher Ring is also represented in Slovakia and in Czech Republic. In addition to its own sales staff, Deutscher Ring works with OVB and ZEUS as agents and with brokers.



	2005	2006
Full-time equivalents	3,578.9	3,516.9
Business volume in CHF million	3,865.0	3,730.4
Combined ratio (gross) Basler Versicherungen in percent	113.3	87.8



	2005	2006
Full-time equivalents	2,854.4	2,830.8
Business volume in CHF million	2,255.3	2,305.3
Combined ratio (gross) Basler Versicherungen in percent	93.9	92.6
Combined ratio (gross) Deutscher Ring in percent	94.5	94.4

Core business

Solutions in insurance and pension. As a supplement to pension business: banking in Switzerland.

Distribution channels

Baloise sales force in conjunction with selected distribution partners.

Belgium

In the Belgian market, the Baloise Group operates in Flanders under the Mercator Verzekeringen brand. Mercator sees itself as a trusted partner of choice for local professional brokers. The company provides a comprehensive assortment of personal and property insurance products for individuals and for small to medium-sized companies.

Luxembourg

Baloise Assurances provides private and business clients in the Grand Duchy with a comprehensive range of insurance, pension and asset-building products. Outside its home market, Baloise Luxembourg also sells pension and asset-building products in various European Union countries in collaboration with strong banking partners.

Austria and Croatia

In Austria, Basler Versicherungen offers insurance and pension solutions to private individuals and small and medium-sized enterprises. The unit's distribution is handled primarily by its own sales staff, assisted by selected brokers. Basler is a leader in its target market segment of physicians and medical staff. Basler Osiguranje takes a similar approach in Croatia.



	2005	2006
Full-time equivalents	709.2	680.7
Business volume in CHF million	757.6	738.7
Combined ratio (gross) Mercator Verzekeringen in percent	94.1	92.7



	2005	2006
Full-time equivalents	119.6	128.0
Business volume in CHF million	342.2	535.2
Combined ratio (gross) Baloise Assurances in percent	86.8	89.7



	2005	2006
Full-time equivalents	286.3	302.8
Business volume in CHF million	127.9	141.5
Combined ratio (gross) Basler Österreich and Croatia in percent	103.7	99.7

The strategy of the Baloise Group

Everything revolves around our customers

We want them to be enthusiastic about us and our services and – as a result – to be their trusted partner of choice. Thanks to such long-term relationships based on mutual benefit we are capable of sustained growth and above-average profits. This in turn enables us to invest in the welfare of our customers, staff and investors and in securing our own future.

Our primary goal is profitable growth. We see our development mainly in organic growth in our preferred customer segments with high value-generating potential. In making targeted acquisitions we concentrate on developing our market position in our existing markets.

In carrying out this strategy we rely strongly on our own professional skills and ability to execute. The focus is on the quality of the relationship with our stakeholders.

Clients

Our target clients are responsible individuals and businesses who take protecting their property and safeguarding their future seriously. We offer them comprehensive solutions for all stages of life. They see us as service providers with a passion. We adjust our prices and terms to risk-determining characteristics, enabling us to offer a differentiated product range.

Shareholders

For our shareholders we grow the value of the corporation. We strive to provide a return on the capital entrusted to us that significantly exceeds the cost of capital. We maintain an income-oriented distribution policy. We regularly and transparently inform our owners of the course of business and implementation of our strategy.

Within the framework of our strategic principles, our business units and local brands bear full responsibility for their own markets. This keeps us close to the market and best able to address its needs. At the corporate level, we maintain a balanced investment policy and efficiently control risk and capital. We hold as much capital as needed to do business in a sound and flexible manner.

For our major stakeholder groups, this means:

Employees

Capable, high-performing, loyal employees make up the core of our skill-based strategy. We offer them an attractive environment with development prospects and the ability to continually expand and unfold their abilities. We make purposeful and sustainable investments in the skills of our employees. We are fair and committed to mutual partnership. In return, we expect our employees to work hard and have a sense of responsibility and a highly developed passion for the customer.

External distribution partners

Depending on the market, we conduct all or part of our business through distribution partners. These are as strongly committed to outstanding customer management and exceptional service quality as we are. We seek to maintain the same relationship of trust with our distribution partners that we do with our preferred customers.

The public

We are a responsible member of society. As an insurance and pension company, we help sustain the functioning of national economies, societies and enterprises every day. Thanks to our sizable earning power, we contribute substantially to financing the public sector. Our sustainable corporate policy makes us a reliable employer. We create and maintain value-generating jobs. We make responsible use of natural resources.





TO OUR SHAREHOLDERS

Rolf Schäuble and
Frank Schnewlin
on the record result 8

Baloise share 12



Chairman of the Board Rolf Schäuble (left) and CEO Frank Schnewlin.

“Operationally strong, record results, fit for the future”

Chairman of the Board Rolf Schäuble and CEO Frank Schnewlin take satisfaction in record earnings of CHF 707 million. The Baloise is fit for the future.

Did you reach your goals in 2006?

ROLF SCHÄUBLE: The record results speak for themselves. Our performance was well above our own expectations. We have increased profit significantly every year since 2002. We are operationally strong, have just achieved record earnings and look forward to the future. This is something we can be proud of. And we are filled with gratitude toward our customers, distribution partners, employees and investors.

FRANK SCHNEWLIN: We have kept our promises. We even achieved our target return on equity of 15% two years earlier than planned. Likewise the goal of keeping our combined ratio under 100%. Admittedly the circumstances have helped by the absence of natural disasters and major claims. But most of it we accomplished ourselves. We have also realized our policy of adjusting our equity investments, which are comparatively high in the industry, to developments on the capital market, and so further boosted our earnings. We generated significant capital gains last year without reducing our allocation to equities. And finally, we have grown both in the target customer segments and in unit-linked life insurance.

What were the highlights of the past year?

ROLF SCHÄUBLE: Our fantastic earnings are the reward for our ongoing development work. We have been systematic in promoting operational excellence and focusing on risk-aware clients. Now these efforts progressively paid off in 2006. These decisive advances are the real highlights.

FRANK SCHNEWLIN: We focused closely on operational excellence, on mastering target customer management and on capturing new target segments. We largely developed and built up these capabilities ourselves. There is a great deal of experience behind what we are able to do today in sales management driven by customer value, target risk selection, pricing and claims handling – skills we developed through numerous real-world trials and tests that can't simply be copied. In Luxembourg, for example, we applied scoring methods to launch a successful motor vehicle insurance solution with pricing corresponding to new risk groups. The new capabilities are a sign that everyone in the corporation is learning from the experience and strengths of the individual units. This is something we will continue to pursue, so that we can further improve our operational margin relative to the market.

“The key advances
in target customer management
are the real success story.”

You have achieved the best earnings result and highest return on equity in the history of the Baloise. What are these achievements worth?

ROLF SCHÄUBLE: Our aim is and remains to make our income structure as sustainable as possible. We want to remain predictable for our partners. We are convinced that we will continue to be able to achieve high profit growth in the years to come, because our earnings are substantially based on operating performance in our core business. Our success makes us proud and happy, but not blind. We can also see that factors we have only limited control over played some role in our record earnings – primarily claims levels and the capital markets.

FRANK SCHNEWLIN: We have always believed in our own power to move things in the right direction. We will continue to do so in the future and will maintain our commitment to operational excellence, anchor target customer management even more firmly and develop new target segments for profitable growth. I am convinced that there is great potential in this. It will secure more advances in income in comparison with the market and make us less dependent on economic cycles. As our profits have steadily grown, we have continually shored up our balance sheet. Today this puts us in a situation where we can largely finance our own future expansion.

You started a three-year share buyback program in 2006. Why?

ROLF SCHÄUBLE: We only hold as much capital as we need for our business activities. We return surplus capital to our shareholders, because they know best what they want to do with it. Of course we also have the opportunity to put capital into expanding our business instead of into buybacks, especially by investing in acquisitions. This is something we regularly consider. But acquisitions must be of value so that the money is always working in the shareholders' interest. If this is not the case, then the share buyback remains the best alternative.

Actual growth was rather moderate.

FRANK SCHNEWLIN: The environment was challenging, and we did manage 1.3% growth. In the nonlife business, intense competition is making it difficult right now to create growth that generates value. Our principle of earnings before growth naturally limits prospects for growth. In traditional life insurance, we're not seeing much action due to low interest rates. Unit-linked products, on the other hand, have a future. We grew nearly 40% in this area and made some targeted acquisitions, like Moneymaxx in Germany and, most recently, Winterthur-Europe Vie in Luxembourg in January 2007. Our Austria and Luxembourg units also saw strong growth.

Where are you headed in terms of growth?

FRANK SCHNEWLIN: Our focus is on profitable growth. Organically, we are concentrating on those target segments and business areas where we can generate exceptional value. Growth in unit-linked life insurance, for example, is a priority. These products offer customers attractive retirement and investment solutions. For ourselves, we can achieve good returns with a minimum of capital. We see considerable further potential in this sector. We are also building new fields of business in eastern and southeastern Europe along with new customer, distribution and product segments in our existing markets with the aim of securing profitable growth. And finally, we are also growing through targeted acquisitions.

Are there additional areas where action is needed?

FRANK SCHNEWLIN: Action is needed in controlling costs. Our declared goal is to steadily reduce our unit costs over the next few years by further optimizing our business processes and exploiting cross-border synergies, for example in IT.

“Acquisitions are an integral part
of our strategy.”

What role will the Baloise play on the European insurance landscape in five years?

ROLF SCHÄUBLE: The Baloise has proved that it can be very successful as a mid-sized insurer with a selective presence in Europe based on strict value generation criteria. We will continue along this path. As a “consolidation player” we will carefully observe market developments and expand in a targeted fashion when we see good opportunities. That's what we did when we acquired Securitas in Germany in 2003, Moneymaxx in 2005, and now Winterthur-Europe Vie. The deciding factor is not the size of the portfolio but the intrinsic value, the potential for integration and the strategic logic. Sheer size is not a determining factor in our business. The ability to understand risks and opportunities correctly and act accordingly is far more important. Based on these insights, our goal is to become one of the most profitable insurers in Europe.

What can we expect from the Baloise in 2007?

FRANK SCHNEWLIN: In 2007 we will again experience a Baloise developing its capabilities for its target customers and for new target segments. This puts us in a position to provide effective solutions and exceptional service in this area. We will thereby generate growth in the target customer segments and so enhance the quality of our insurance portfolio and the operational income relative to the market on an ongoing basis. In general, 2007 is a starting point for significant, profitable growth in the years to come, with the goal of providing our investors with a return on their commitment to our company well above the cost of capital.

What can shareholders look forward to in 2007?

ROLF SCHÄUBLE: Our record earnings will again enable us to distribute a very attractive cash dividend. We will propose to the shareholders' meeting a dividend increase to CHF 3.80. The Baloise will continue to pursue a policy, aimed at long-term investors, of regularly paying attractive dividends. We will also propose to the shareholders' meeting a capital reduction of 2.4%, from which our shareholders will benefit by way of the resulting concentration of profit. We will continue the ongoing three-year buyback program in 2007.

What is your view on acquisitions, and what prospects do you see for them?

ROLF SCHÄUBLE: Acquisitions are an integral part of our strategy. Our focus here is on existing markets. We look for takeover objects that will create a minimum of dilution effects and fit into our strategic focus.

Where will the strategic focus lie in the future?

ROLF SCHÄUBLE: The long-term focus will continue to be on our commitment to being one of the most profitable insurers in Europe. The key to achieving this is exceptional quality of operations, systematic organizational orientation toward high-value target clients and the ability to maximize returns on the capital invested, i. e. to achieve a risk-adjusted return on capital as high as possible above the cost of capital.

“ If circumstances remain favorable,
we will continue to aim
for a RoE of at least 15%. ”

What are your medium-term goals in terms of growth and earning power?

FRANK SCHNEWLIN: Now the primary aim is to sustainably secure the high earning power. Assuming ongoing favorable market conditions, we will aim for a return on equity of at least 15% and a combined ratio in the nonlife business well below 100%. We want to continuously increase earnings per share. Overall, we are aiming for business growth in line with the market average. In our preferred high-value target segments, including unit-linked life insurance, we intend to achieve above-average growth. We are concentrating on organic growth in the existing markets in continental Europe, where we can also make use of our financial strength for targeted acquisitions.

Best insurance stock in Switzerland

With a price surge of 58.7%, the Baloise's share was the best-performing insurance stock in Switzerland in 2006 and over the past three years. Our shareholders are due to receive a dividend up 72.7% against the previous year. In addition to the dividend, we will be paying CHF 114 million back to our shareholders as part of our share buyback program.

Outstanding corporate results and steeply rising share prices marked the first quarter of the year 2006, followed by a massive drop in the second quarter. This interim dampener was due to heightened fears of inflation and ensuing rises in interest rates.

The Baloise share developed very well in the first half of the year, appreciating by 22.4%. Over the same period, the Swiss Market Index (SMI) gained a mere 0.9%, whereas the Swiss insurance industry index (SWX SP Insurance Price Index) decreased by 2.8%. The Baloise share also clearly outperformed the corresponding European index (DJ STOXX Insurance Supersector Price Index), which actually lost 0.2% in the first six months.

Unexpectedly poor economic indicators contributed to the fact that interest rates sank again in the third quarter. Although low interest rates have a negative impact on the Baloise's business, the company's share nevertheless surged by 59.9% to CHF 122.70 in those three months. Strong half-year figures and a favorable loss experience led to the achievement of the annual high-water mark of CHF 126.70.

The Baloise share closed at CHF 121.80 on December 29, 2006 after beginning at CHF 76.75 on January 3. This translates into a 58.7% appreciation in the course of the year, an excellent performance in comparison with the Baloise's peers at home and abroad: The SMI closed at plus 15.8%, the Swiss insurance industry's index at plus 17.7% and its European sister index at plus 17.2%.

Distribution to shareholders

The Board of Directors will propose to the Annual General Meeting the distribution of a cash dividend of CHF 3.80 per share for fiscal 2006. In terms of the year-end price, this is equivalent to a dividend yield of 3.1%.

During the share buyback program announced in March 2006, 1,074,000 shares were repurchased (1.94% of all outstanding shares) at an average price of CHF 105.84 between May 22 and end of December 2006. Thus a further CHF 114 million in equity was repaid to shareholders in addition to the dividend disbursement.

Information on the current status of the share buyback program can be found at

■ www.baloise.com → Investor Relations → Baloise share → Share buyback program

Shareholding structure

On December 31, 2006, one shareholder subject to registration pursuant to stock exchange law owned more than 5% of the outstanding Baloise shares. This was Barclays Group with 5.4% of the outstanding shares as at December 31, 2006.

As a broadly based listed company, the Baloise is included in the Swiss Market Index (SMI) and continues to figure in the SWX's index calculations with a free float of 100%.

The following table shows the most significant registered shareholders.

Baloise share

Ticker symbol: Tk, B: BALN; R: BALZn

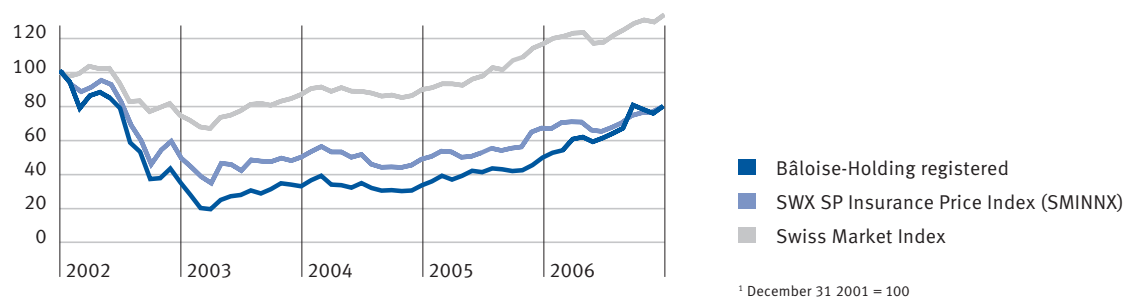
Nominal value: CHF 0.10

Security no.: 1.241.051

ISIN: CH0012410517

Listing: virt-x

Share type: 100% registered shares

Indexed share price development¹ Baloise-Holding registered 2002 – 2006

Share statistics	2002	2003	2004	2005	2006
Closing price in CHF	55.00	51.65	52.50	76.75	121.80
High in CHF	155.50	63.20	63.10	77.00	126.70
Low in CHF	46.30	25.45	45.75	52.70	76.40
Market capitalization in CHF million	3,041.9	2,856.6	2,903.6	4,244.8	6,736.4
Total shares issued in units	55,307,150	55,307,150	55,307,150	55,307,150	55,307,150
Shareholders	11,974	15,027	16,251	14,614	13,386
Treasury shares	702,540	414,303	1,176,237	887,879	1,849,548
Earnings per share in CHF ¹	-11.6	1.7	3.9	7.3	12.9
Price-earnings ratio	n. c. ³	30.9	13.5	10.5	9.4
Dividend per share in CHF ²	0.4	0.6	1.1	2.2	3.8
Dividend yield ²	0.7	1.2	2.1	2.9	3.1
Pay-out ratio ²	n. c. ³	36.3	28.2	30.7	30.1
Consolidated equity per share in CHF	56.3	60.6	63.6	79.8	91.0
Ratio of market capitalization to consolidated equity	0.99	0.86	0.83	0.97	1.34

¹ See Financial Report 2006, section 38² 2006 based on proposal to the General Meeting³ Not comparable

Significant shareholders as of 12/31/2006

Shareholders	Total holding at 12/31/2005	Share of voting rights 12/31/2005	Total holding at 12/31/2006	Share of voting rights 12/31/2006
Chase Nominees Group ¹	5.5	2.0	10.5	2.0
Barclays Group	0.0	0.0	5.4	<2.0
Investors Bank & Trust ¹	2.6	2.0	3.5	0.0
Mellon Bank N. A. ¹	2.7	0.0	3.2	0.0
HSBC Overseas Nominee UK ¹	2.5	0.0	2.7	0.0
Nortrust Nominees Ltd. ¹	3.1	0.0	2.4	0.0
UBS Group	<2.0	<2.0	2.2	<2.0
Cominvest Asset Management	2.0	0.0	<2.0	<2.0

in percent

¹ Custodian Nominees who hold shares in trust for third parties are considered as belonging to the free float pursuant to the Swiss Exchange (SWX) regulations. Such shareholder groups are not subject to registration by stock exchange law.





REVIEW OF THE BUSINESS YEAR

Group	16
Switzerland	20
Germany	21
Belgium and Luxembourg	22
Other countries	23

Record earnings thanks to strong core business

With a profit of CHF 707.1 million, the Baloise Group achieved the best earnings in its history in 2006, up 75.2% from the previous year.

A dividend increase to CHF 3.80 per share will be proposed to the General Meeting. The Baloise has significantly increased its operating strength each year since 2002, building an outstanding foundation for future profitable growth.

Overview

Each business unit's earnings reflected the corporate focus on high-value target customers and the outstanding quality of the core business achieved through operational excellence. The Baloise also enjoys a high degree of geographic diversification of revenues, with each unit making a substantial contribution to the corporation's earnings growth. The nonlife business was the star performer in 2006 with earnings before taxes and financing costs of CHF 542.2 million, over twice the previous year's figure. An absence of natural disasters and major claims had a positive impact on earnings. The life insurance line saw strong profit growth of 65.0% to CHF 246.2 million. Banking business earned a profit of CHF 63.6 million. Thanks to excellent financial market conditions and efficient asset management, investment income rose by 11.5% to CHF 2,297.5 million. Despite gains realized and higher interest rates, the net ratio of unrealized gains in equity increased, too, by 17.5%. The proportion of investments in equities and equity-like instruments by the insurance units amounted to 14.5% (2005: 13.9%). A major factor in the performance of 4.4% (2005: 5.0%) was the negative impact of the interest rate rise on the fair value of fixed-interest securities.

Total business volume, including unit-linked life insurance, grew by 1.3% to CHF 7,491.2 million (2005: CHF 7,393.5 million). Premium revenues according to IFRS accounting came to CHF 6,716.5 million (2005: CHF 6,839.1 million), a decline of 1.8%. Business volume in the nonlife line grew 0.3% while life insurance added 2.0%. The decisive boost came from unit-linked life policies, which advanced by 39.7%. Growth occurred especially in Luxembourg, Austria and Germany. The business volume is fairly evenly distributed by insurance line, with life insurance accounting for 59.1% while nonlife make up 40.9%.

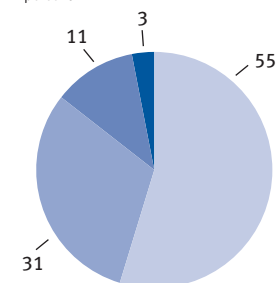
The Baloise Group's scope of consolidation remained essentially unchanged in the year under review.

Nonlife insurance

The nonlife (property insurance) line achieved earnings before taxes and financing costs of CHF 542.2 million (2005: CHF 255.1 million), a gain of 112.5%, thanks to outstanding operating performance, the high quality of the insurance portfolio and a sharp increase in investment income. The very low level of claims, and particularly the absence of natural disasters and other major loss events, had a favorable effect. The combined ratio sank to a historic low of 90.2% gross (2005: 100.6%) and 94.0% net (2005: 100.0%). It should be noted that the prior year figures were impacted by severe floods in Switzerland and Germany. All business units improved their underwriting result or maintained it at a very strong level; most noteworthy was the improvement in Switzerland.

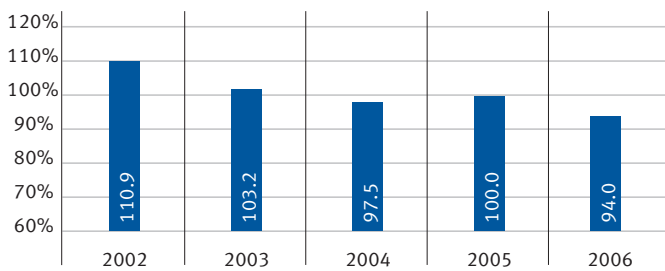
Business volume (identical here to premium income under IFRS accounting rules) came to CHF 3,065.1 million (2005: CHF 3,055.4 million), a slight gain of 0.3%. In general, heightened competition in all markets put a damper on prices and with them growth. We achieved above-average growth in this line in Luxembourg at 11.3% and in Austria and Croatia at 6.9%.

**Premium income (gross)
by regional segment 2006**
in percent



- Switzerland
- Germany
- Benelux
- Other countries (including elimination)

Combined ratio net performance



From 2005: excluding legally required interest on actuarial reserves for pensions

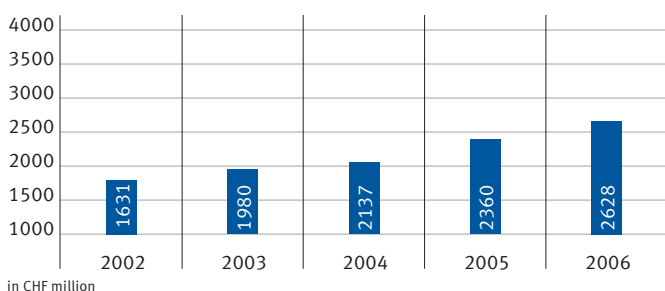
Life insurance

The life insurance line achieved earnings before taxes and financing costs of CHF 246.2 million (2005: CHF 149.2 million). Key factors were the further improvement of operating efficiency, greater value retention in the business portfolio and a favorable interest rate trend. The disposal of participating interests in Belgium also contributed to earnings. Business volume including unit-linked life insurance reached CHF 4,426.1 million (2005: CHF 4,338.1 million), a gain of 2.0%. Demand for traditional asset building policies remained weak due to continued low interest rates. The strong decline of over 12% in single premiums in the Swiss market was more than offset by the increases in the other business units, leading to almost 4% growth for the Group as a whole. In recurring annual premiums, the Group posted slightly higher revenues than in the year before. Unit-linked life policies, on the other hand, registered a steep increase, with volume rising by 39.7%. Boosted by bullish equity markets, these products are becoming a compelling alternative to traditional life insurance policies, which suffered from weak demand. Especially Baloise Luxembourg and Deutscher Ring saw strong growth in this sector.

In the year under review, the embedded value of the life business rose from CHF 2,359.7 million to CHF 2,627.8 million. Investment income, modeled for the future at a slightly higher rate, contributed CHF 83.4 million. The better than anticipated capital market developments in 2006 also had a positive impact, namely CHF 115.0 million, after consideration of the effect on policyholder dividends. The value of new business amounted to CHF 15.9 million, its margin climbing to 7.3% (2005: 5.3%).

We expect further growth in demand for high-performing life insurance and pension solutions in all our markets, with the greatest potential in capital market-based products such as investment funds and unit-linked life policies. This is where our focus will be in the coming years.

Embedded value performance



in CHF million

Banking

The banking segment achieved earnings before taxes and financing costs of CHF 63.6 million (2005: CHF 77.0 million). The previous year's earnings included a one-time gain from a reversal of credit risk impairment charges at Deutscher Ring's Bausparkasse. All units reported an enhancement of their operational performance. Baloise Bank SoBa's net profit to CHF 29.5 million (local accounting) was particularly encouraging. The increase brought Baloise Bank SoBa's return on equity to 10.1%. Assets managed by Baloise Asset Management augmented by 4.3% to CHF 39.4 billion and generated a profit of CHF 21.3 million, up by 28.3% year on year.

Shareholders' equity

The Baloise Group's shareholders' equity came to CHF 5.0 billion (2005: CHF 4.4 billion) as of the balance sheet date. The increase – despite share buybacks – is attributable mainly to the outstanding earnings performance. The group solvency ratio came to 320% at the end of 2006 including banking assets (2005: 291%).

Outlook

Now the primary aim is to sustainably secure the high earning power. Assuming ongoing favorable market conditions, we will aim for a return on equity of at least 15% and a combined ratio in the nonlife business well below 100%. We want to continuously increase earnings per share. Overall, we are aiming for business growth in line with the market average. In our preferred high-value target segments, including unit-linked life insurance, we intend to achieve above-average growth. We are concentrating on organic growth in the existing markets in continental Europe, where we can also make use of our financial strength for targeted acquisitions.

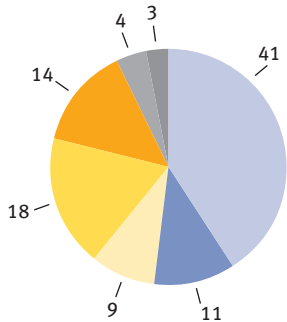
Investments

Thanks to economic growth and rising corporate earnings, international equity markets continued to register impressive gains in 2006. Among the major indexes, the Swiss Market Index at 15.8%, the EuroStoxx50 at 18%, the Standard & Poor's 500 at 13.6% and the MSCI Emerging Markets Free Index at 32.3% all performed exceptionally well. With 14.5% of our insurance group's investments allocated to equities (including equity-like instruments), a relatively high ratio for the industry, along with a comparatively strong position in emerging markets and good profit-taking timing, the Baloise was one of the big winners of the bull market.

Since major central banks further raised short-term interest rates during the strong economy, the interest rate curve flattened considerably in Switzerland and most other countries. In bonds, there were substantial price drops at the short end and in the mid-range maturity segment. Long maturity bonds saw less of a correction due to excess demand and a continued moderate inflation outlook. Overall 2006 was not a good year for bonds as the performance of both the Swiss Bond Index (SBI) and European bond indexes was slightly negative. In the United States, too, treasury bonds came in below coupon yields with a local performance of 3.2% due to market losses. From a CHF investor's perspective, investments in the U.S. were unappealing in any case since the US dollar's 7.4% fall would entail a considerable exchange rate loss. Since the Baloise deliberately invested in American bonds only up to the amount of our dollar-denominated liabilities in recent years, the dollar's poor showing hardly affected us.

Own investments by category¹ 2006

in percent



	2005	2006	+/- %
Fixed-interest securities	21,219.7	22,894.3	7.9
Shares	5,716.2	6,046.2	5.8
Derivatives	48.6	75.8	56.0
Investment properties	5,581.7	5,312.6	-4.8
Mortgage loans	9,833.1	9,941.4	1.1
Policy and other loans	7,802.4	7,860.2	0.7
Alternative financial assets	2,122.8	2,214.6	4.3
Other short-term capital investment, cash and cash equivalents	1,899.8	2,035.4	7.1
Total	54,224.3	56,380.5	4.0

in CHF million

¹ Excluding investments from unit-linked insurance

By contrast, the Baloise profited somewhat from the euro's 3.5% gain against the Swiss franc thanks to its substantial position in EUR bonds, although two-thirds of this exposure was hedged due to risk considerations and the already high average EUR/CHF exchange rate over the course of the year.

In alternative investments, the Baloise's approach of pursuing a diversified fund-of-funds strategy again paid off. Both offshore companies, Baloise Alternative Investment Strategies Ltd. (hedge funds) and Baloise Private Equity Ltd., performed well in the booming alternative investment market. Although most of our alternative investments were denominated in US dollars and suffered from the greenback's weakness, the Baloise was able to offset a good portion of the exchange rate losses with corresponding gains on derivatives through active hedging strategies.

On the Swiss property market, low mortgage interest rates coupled with a high number of residential units (40,000 finished and 60,000 under construction) made it harder to find enough tenants, especially for large units. Since the market for investment properties has largely dried up owing to high demand from institutional investors, we are focusing our investments mainly on our own properties under construction. The business units outside Switzerland continued to diversify their portfolios.

In mortgages, fierce competition persisted as interest rates remained low, with the banks seeking to play out their advantage by offering refinancing at lower rates. The Baloise responded with its "Baloisehypo Plus" sales offensive. Through closer cooperation between the insurance sales force and Baloise Bank SoBa's mortgage unit, we succeeded in expanding the business without increasing risk in the portfolio.

Sales of the Baloise Fund Invest fund were again highly successful in 2006. Volume grew from CHF 1.39 billion to CHF 1.61 billion, with the net inflow of new money and fund performance each accounting for about half the gain. We further strengthened our position in the warranty fund niche we set up in 2002 by floating the new BFI Capital Protect PLUS (EUR) fund.

FIVE KEY POINTS

- Record profit of CHF 707.1 million.
- 15.3% return on equity, goal reached two years earlier than planned.
- Net combined ratio of 94.0% thanks to a focus on target customers and operational excellence.
- Life insurance new business margin of 7.3%.
- 39.7% growth in targeted unit-linked life insurance segment.

Switzerland

The Switzerland segment achieved record earnings of CHF 287.8 million, driven mainly by a systematic focus on target customers and enhanced operating performance supported by an absence of major claims. Baloise Bank SoBa achieved its profitability objective. The focused financial services provider business model continued to prove highly successful.

Basler Versicherungen

The unit's continuing focus on high-value target customers and operational excellence brought significant earnings gains. Thanks to systematic target customer management, we accelerated profitable growth in the targeted segments far beyond market growth, resulting in an encouraging boost in the contribution margin per customer. As a consequence of various optimization measures in our own sales force and with our distribution partners, sales channel productivity improved by about 10%. Measures to enhance operational excellence – namely risk-based rates, restructuring of non performing accounts and optimized claims processes – led to outstanding operational earning power, very low claim rates and an excellent combined ratio.

Business volume declined by 3.5% to CHF 3,730.4 million (2005: CHF 3,865.0 million), due mainly to increasing price pressure, weak demand for traditional life insurance products and our value-oriented underwriting policy. Despite increasing price pressure, we are committed to risk-based rates and underwriting to attain our revenue goals, without, however, neglecting premium growth.

The nonlife line achieved a business volume of CHF 1,280.5 million (2005: CHF 1,286.9 million), a slight decline of 0.5% in consequence of our “earnings before growth” business policy, which remains firmly in place. Accident and transport insurance saw advances while the other sectors recorded slight drops. The sales partnership with Touring Club Switzerland again generated positive results, with the portfolio growing some 10% to CHF 122.2 million. The number of policies sold over the Internet increased by 18%.

The nonlife line saw its best-ever operating performance in 2006 thanks also to the exceptionally low claims volume. The gross combined ratio was an excellent 87.8% (2005: 113.3%). The previous year's figure had been influenced by major flood-related claims.

Business volume in the life insurance segment, including unit-linked life insurance, declined by 5.0% to CHF 2,449.9 million (2005: CHF 2,578.1 million). IFRS premiums shrank by 4.7%. Demand for traditional life insurance policies, particularly single premiums, was weak due to low interest rates. Volume in the individual life business fell by 4.1% in a contracting market. We were not yet able to participate fully in the growing unit-linked life insurance market; although annual premiums saw encouraging gains, the single-premium business declined. The group life volume fell by 4.9%, mainly because of a 12.5% drop in single premiums due to changes in the co-insurance business. By contrast, annual premiums grew 4.0%. Thanks to the outstanding operating performance we were able to make larger allocations to dividend provisions in both individual and group life. The disbursement ratio in the group life business came to 92%, which means, for the benefit of our customers, we exceeded the statutory disbursement requirement (legal quote) of 90%.

Key figures: Switzerland

	2005	2006
Premium income (gross)	3,819.3	3,694.3
of which: life in CHF million	2,532.4	2,413.8
of which: nonlife in CHF million	1,286.9	1,280.5
Combined ratio (gross) in percent	113.3	87.8
Profit before tax in CHF million	96.6	287.8

Baloise Bank SoBa

Baloise Bank SoBa achieved a 35.5% advance in net profit at CHF 29.5 million (local accounting) despite intense competition. This outstanding result validates the bank's strategic focus on high-revenue target customers and enhanced efficiency of business processes. Baloise Bank SoBa strengthened its market position as a regional universal bank in north-west Switzerland. With our “focused financial services provider” business model, in which banking products are sold through the insurance company's sales force, we increased the inflow of new money by 7.1% over the previous year to CHF 463 million, bringing the bank's volume in the “focused financial services provider” portfolio to CHF 1,471.3 million. Overall we have already gained over 15,000 new clients with this business model.

Germany

Basler Versicherungen (Basler Securitas until January 31, 2007)

Since February 1, 2007 the former Basler Securitas has operated under the Basler Versicherungen brand. The unit achieved a business volume of CHF 1,067.4 million (2005: CHF 1,059.5 million) with a good overall earnings trend. Given the intense competition on the German market and our business policy of pursuing high-revenue target customers, this growth of 0.7% is satisfactory. The core property insurance line rose 0.9% while the life insurance business volume was 0.2% above the previous year's level. The combined ratio at 92.6% gross (2005: 93.9%) was again an improvement over the previous year's already very good figure, achieved especially thanks to reinforced efforts in risk-based underwriting, claims processing efficiency and target customer management. Costs developed according to expectations; claims payments declined due to improved risk selection. Business volume in life insurance was CHF 225.0 million (2005: CHF 224.5 million), with favorable performance in new business.

Deutscher Ring

In accordance with the good prospects in the German pension market, Deutscher Ring positions itself as a specialist in unit-linked life insurance and investment fund sales. It is responding to rising competition in sales by expanding its own sales force. Special attention is given to attractive prospects in eastern Europe, particularly through a focused expansion of its subsidiary OVB. Deutscher Ring achieved a business volume of CHF 1,237.9 million (2005: CHF 1,195.8 million), a gain of 3.5%. Unit-linked life insurance accounted for most of the growth, gaining 45.6%. The acquisition of Moneymaxx in 2005 had a positive impact. Moneymaxx was consolidated for the whole fiscal year for the first time in 2006. Premium revenues according to IFRS accounting came to CHF 1,029.1 million (2005: CHF 1,052.4 million), 2.2% below the previous year's figure. In life insurance, unit-linked products made up for weak demand for term life policies; business volume for the life segment was CHF 1,023.3 million (2005: CHF 982.2 million), an increase of 4.2%. The nonlife insurance line achieved a business volume of CHF 214.6 million (2005: CHF 213.6 million), outpacing the consequences of price competition in a shrinking market. The gross combined ratio of 94.4% equaled the previous year's good showing thanks to a low claims level. Bancassurance distributor OVB was very successful in its expanded activities in eastern Europe. OVB went public in 2006 and will continue expanding in eastern Europe, while Deutscher Ring is building up a selective presence in certain markets in the region.

Home loan bank Deutscher Ring Bausparkasse reached break-even in the fourth quarter of 2006. We expect a moderate profit here for 2007.

The Basler Versicherungen and Deutscher Ring units together achieved earnings before taxes and financing costs of CHF 169.1 million (2005: CHF 145.6 million) in a fiercely contested market. Together the two units saw growth of 2.2% in business volume.

Key figures: Germany

	2005	2006
Premium income (gross)	2,110.1	2,093.2
of which: life in CHF million	1,061.5	1,036.2
of which: nonlife in CHF million	1,048.6	1,057.0
Combined ratio (gross)		
in percent	94.0	93.0
Profit before tax		
in CHF million	145.6	169.1

Belgium and Luxembourg

The Benelux segment, comprising Mercator in Flanders and Baloise Luxembourg, achieved earnings before taxes and financing costs of CHF 231.1 million (2005: CHF 94.9 million). Mercator is focused on innovative products, a concentration on targeted brokers and further optimization of business processes. Baloise Luxembourg realized significant growth in existing and new fields of business.

Belgium

Enhanced operating efficiency, low claims, a renewed focus on carefully selected brokers and capital gains from the sale of shareholdings and property helped Mercator significantly boost its profit year on year. Low taxation was also a factor. Business volume declined 2.5% to CHF 738.7 million (2005: CHF 757.6 million), mainly due to a sharp decline in unit-linked life insurance. IFRS premium volume, however, grew by a slight 0.3% to CHF 660.2 million (2005: CHF 658.1 million). In the nonlife line, Mercator achieved a business volume of CHF 541.7 million (2005: CHF 539.8 million), holding steady in a fiercely contested market. The growing profitability in the portfolio of small and medium enterprises also had a damping effect on business volume. The combined ratio benefited from a favorable claims environment with very few major loss events. Thanks to the low claims ratio, the gross combined ratio was 92.7%, a further improvement against the previous year's already good 94.1%. Mercator successfully launched its bundled Gezinsplan (family plan) product. Sales of over 19,000 contracts significantly exceeded expectations. The unit will continue to boost growth by launching similar products. The life insurance line was not able to keep up with growth in the Belgian market as a whole; business volume fell 9.6% to CHF 197.0 million (2005: CHF 217.8 million). Unit-linked life insurance saw a particularly sharp decline in volume of 21.1% due to the end of the distribution partnership with Record Bank as well as a new life insurance tax. IFRS premium volume held steady at CHF 118.5 million.

Luxembourg

Baloise Luxembourg had a very successful year. The unit focuses on high-value target customers and develops products with rates in line with risk. Business volume rose 56.4% to CHF 535.2 million (2005: CHF 342.2 million), again driven mainly by unit-linked life insurance products, which the Baloise sells across national borders thanks to the EU's freedom of service provision. Even excluding these products, premium volume under IFRS accounting standards grew 16.6% to CHF 91.2 million (2005: CHF 78.2 million). The nonlife line performed extremely well. Premium income rose 11.3%, handily outpacing the market to reach CHF 47.9 million (2005: CHF 43.0 million). The gross combined ratio was 89.7%, slightly higher than the previous year's exceptional 86.8%. A particular breakthrough was achieved by PolyCare motor insurance, a product designed specifically to attract target customers. The unit also gained market share in distribution through brokers and among industrial customers. Life insurance grew 62.9% to CHF 487.3 million (2005: CHF 299.2 million) thanks to the boom in unit-linked products. We expect further growth in this sector from the January 2007 acquisition of Winterthur-Europe Vie. Traditional life insurance also performed well. Along with market share gains in employee pensions, this led to 23.1% growth in the IFRS premium volume, which reached CHF 43.3 million (2005: CHF 35.2 million).

Key figures: Benelux

	2005	2006
Premium income (gross)	736.3	751.4
of which: life in CHF million	153.5	161.8
of which: nonlife in CHF million	582.8	589.6
Combined ratio (gross) in percent	93.5	92.4
Profit before tax in CHF million	94.9	231.1

Other countries

Austria and Croatia

Basler Austria and its Croatian subsidiary Basler Osiguranje continued their growth thanks to systematic and consistent target customer focus and expansion of the sales force. Basler Austria's business volume (including Croatia) rose by a good 10.6% to CHF 141.5 million (2005: CHF 127.9 million) while premiums according to IFRS accounting gained 7.5% to reach CHF 137.5 million (2005: CHF 127.9 million). In the medical practitioner's segment, where we hold an especially strong position in both Austria and Croatia, we again achieved double-digit growth. The Croatian Basler Osiguranje segment made substantial progress in the life business. At 6.9%, Basler Austria (including Croatia) advanced in excess of the market average in nonlife insurance with revenues of CHF 97.9 million (2005: CHF 91.6 million). Thanks to a significantly lower loss ratio, the gross combined ratio improved to 99.7% (2005: 103.7%). Business volume in the life insurance line increased by 20.0% to CHF 43.6 million (2005: CHF 36.3 million). Similarly to other Baloise Group markets, single premiums declined due to weak demand while recurring premiums saw gains. Starting in 2007, we will implement a new approach to prevention in Austria called "Baloise World of Security" which will allow us to realize our loss prevention function in a more comprehensive fashion. We expect this approach to enhance our appeal in the coming years and lead to further positive growth.

Reinsurance, financing companies and equity holdings

This segment comprises companies for reinsurance, special investments and financing as well as equity holdings and further corporate business.

The contribution of the segment "Other countries" to earnings before taxes advanced to CHF 253.4 million (2005: CHF 192.2 million). The increase is largely attributable to the good performance of the reinsurance units thanks to low claims along with solid returns on alternative investments.

Basler Austria and Basler Osiguranje in Croatia are successfully pursuing their growth course thanks to consistent focus on target customers and the expansion of distribution capacity.

Key figures: Other countries

	2005	2006
Premium income (gross)	173.4	177.6
of which: life in CHF million	36.3	39.6
of which: nonlife in CHF million	137.1	138.0
Combined ratio (gross)		
in percent	70.3	89.8
Profit before tax		
in CHF million	192.2	253.4





GROWING WITH OUR CUSTOMERS

Switzerland: Financial services provider	26
Belgium: Gezinsplan	29
Germany: Customer retention	30

Our customers receive the best of banking and insurance

Basler Versicherungen in Switzerland and Baloise Bank SoBa are highly successful with their “Focused Financial Services Provider” model

THE BANCASSURANCE DREAM pursued by many banks and insurance companies disintegrated several years ago. The Baloise’s “Focused Financial Services Provider” model on the other hand has proved successful. What is it that Basler Versicherungen and Baloise Bank SoBa do differently or better? And how do customers benefit? Christian Andrik (Head of the Baloise Bank SoBa branch in Basel) and Jürg Graf (Basler Versicherungen customer adviser in the Bernese Oberland) have the answers.

Baloise Insurance and Baloise Bank SoBa have positioned themselves as focused financial services providers. What does this mean?

CHRISTIAN ANDRIK: We generate added value for our customers by providing comprehensive advice as well as seeking and finding individual solutions in insurance, pension, asset management and financing matters. Unlike conventional bancassurance strategies, we market only selected banking products via our customer advisors.

JÜRIG GRAF: Our customers receive the best of banking and insurance. And they have a single point of contact for all issues around money and financial security. This is an increasingly important point for many customers.

Over the past years the bancassurance strategies of other banks and insurers have failed. What is it that you do differently or better?

CHRISTIAN ANDRIK: Our two lines don’t compete, we complement one another with our respective strengths. After all, we both have a common target: to find the best solutions for our customers. In the end, it doesn’t matter whether this is a banking, an insurance or a combined solution.

JÜRIG GRAF: Depending on the situation at hand, I might recommend to the customer a certain investment to place some recently drawn insurance benefits, or a restructuring of the securities portfolio – a banking service, although I’m actually an insurance specialist. At the end of the day, it is the value added for the customer that counts.

Insurance and banking products are, to a certain extent, in competition with one another. How is this in your case?

GRAF: We don’t clash. Whether I recommend a banking or an insurance product has no impact on my pay package. Therefore I am free to advise my customers in a solution-oriented and not product-oriented fashion. So that customers get what they really need, no more and no less. Our measure of success is customer satisfaction.

CHRISTIAN ANDRIK: Our banking and insurance products complement one another in an ideal way. Let me give you an example: A customer wants to invest a certain amount, let’s say CHF 30,000. He can either use the sum as a single premium for a life insurance policy or put it into a savings account. It all depends which solution is best suited to his financial needs. With us, he can obtain either solution from a single source.

Mr Graf, you work as a customer advisor for Basler Versicherungen.

What are the advantages of the focused financial services provider model for you?

JÜRIG GRAF: As a banker who subsequently trained to become an insurance specialist, the answer is clear to my mind. We have combined the respective strengths of a bank and an insurance company to the advantage of our clients. I have been living this philosophy for nearly five years now.

And for you, Mr Andrik, as Head of the Baloise Bank SoBa branch in Basel?

CHRISTIAN ANDRIK: This model has helped us expand our network, and it has also given us access to new customers. Moreover, I can now rely on my customers always having a competent local contact, irrespective of where they live. Another very important aspect for me is the possibility of know-how exchange among the Baloise's customer advisors. Again, it is the customers who ultimately profit.

How else do customers benefit from this cooperation?

CHRISTIAN ANDRIK: Their added value is primarily the possibility of obtaining customized solutions for insurance, pensions, asset management and financing from a single port of call.

JÜRIG GRAF: In order to provide comprehensive advice, we need all the relevant information from the customers, for example on existing pension schemes or mortgages, as well as documents such as a tax return form including asset statement. The more we know about their personal and financial situation, the more in-depth advice and added value we can provide.

What added value do you generate in concrete terms?

CHRISTIAN ANDRIK: Besides competent advice and solutions from a single source, the added value lies primarily in our bundled solutions. These consist of intelligently linked banking and insurance products. BALOISELIFE PLUS is an example of this, the ideal combination of insurance protection and saving. Customers can pay in in a flexible way and still withdraw assets at an early stage, for instance to finance residential property.

JÜRIG GRAF: Another case in point is the recently introduced BALOISELIFE KIDS, a unique product in the Swiss market, combining a savings account for children with preferential interest and risk insurance.

With just one contact for customers, how can you ensure that they receive competent advice in matters as diverse as insurance, investment, financing and pensions?

JÜRIG GRAF: This is ensured primarily by the training and experience of each individual customer advisor. And if I happen to be at a loss for a particular answer, I can always draw on the advice and knowledge of one of my specialist colleagues. Knowledge exchange within the Baloise Group is crucial for me and helps me develop my competence as an advisor.

CHRISTIAN ANDRIK: The first port of call for a customer is always the advisor who is responsible for them and knows them best. If this is the insurance advisor and the customer wants an analysis of his securities portfolio, the advisor can always obtain information from his banking colleague and so ensure that he always has the latest information and recommendations to pass on to the customer.

What can a customer wanting comprehensive advice expect?

JÜRIG GRAF: First of all, we sit down and analyze his or her current situation. Then we together define the targets. On this basis, we draw up customized solutions enabling them to reach these targets. This process is repeated once every five years, unless there is a significant change in the customer's professional or family-related situation beforehand.

CHRISTIAN ANDRIK: We work through a checklist to make sure that nothing gets forgotten. On a file up to twelve pages long, we record information on the customer's personal and financial situation. This demands a large degree of openness and trust on the part of the customer. For that, they will receive 360-degree advice with regard to their financial matters. And all of this free of charge...

Let's take a concrete example: Your customer is planning to buy a house. What will he have to take into consideration? And what do you need to know in order to provide competent advice?

CHRISTIAN ANDRIK: The most important question of course is whether he can and really wants to afford it. We help him calculate whether the financial burden to be incurred is reasonable in terms of income and assets. If the answer is yes, then we advise him on how best to finance the house, also from a tax point of view. He may also need to factor in future events such as an anticipated inheritance or premature retirement.

JÜRIG GRAF: For house purchases in particular, it is crucial for us to know as much as possible about the client's financial situation. If for instance the customer shows us his tax return forms, we can demonstrate the impact that the purchase will have on his fiscal situation.

Next comes the question of financing the purchase. What do you usually suggest?

JÜRIG GRAF: The answer here is as varied as the people posing the question. There is no one-size-fits-all solution. It takes individual counselling – something we gladly take enough time for.

Nowadays change is the only constant factor in many people's lives. How flexible is your financing?

CHRISTIAN ANDRIK: This is where our advice becomes particularly valuable. We have products to suit every life situation and are well aware of how quickly circumstances can sometimes change. That's why we are flexible and ready to support our customers to the greatest possible extent.

JÜRIG GRAF: Open communication is key here, since only then can we provide the tailored advice that customers rightly expect of us. We for our part are open and honest too. It can happen, for example, that we advise against a purchase if we realize that it would stretch the customer beyond their financial means.

Residential property is a form of provision for the future. Does this make sense – or do you have alternatives for someone who wants to remain financially flexible?

CHRISTIAN ANDRIK: Residential property is actually a very sensible form of provision for the future. But not necessarily for everyone. There are numerous alternatives ranging from a savings account or life insurance policy through to a securities portfolio possibly combined with an asset management mandate. The customers' personal and financial circumstances as well as their preferences, hopes and dreams are the decisive factors.

JÜRIG GRAF: There is no such thing as the perfect provision for the future. Not least, because most forms of pension provision will have an impact on the customer's tax bill, both before and after retirement. Pension planning must match the individual in question, not vice versa. In fact, this applies to all our solutions. That is why it is so important that we take enough time for every single customer. Ultimately, it takes tailored solutions to make a perfect fit.

THREE KEY POINTS

- Together with customers, we seek individualized solutions in matters of insurance, pensions, financing and asset building.
- Our customers have a single point of contact for all their money and security related issues.
- We advise our customers in a solution-oriented way.

Innovation for the Belgian market

Mercator, the Baloise's Belgian subsidiary, is a well-established insurance group that operates exclusively in the Flemish part of the country. This means it has in-depth knowledge of the local market. A knowledge that has helped Mercator expand its market position, so that it now makes a considerable contribution to the Baloise Group's consolidated profit.

Antwerp-based Mercator aims to grow and to strengthen customer retention. In early 2006 it launched an innovative product tailored to the characteristics of the Flemish market, yet distinct from comparable rival products. The product is called Gezinsplan (family plan) and is targeted at all private individuals living in the same household. Customers must have three nonlife insurance policies to their name to qualify for a Gezinsplan. As usual in Belgium, the services of various independent brokers are a prerequisite for sustainable growth. Brokers represent by far the most significant distribution channel for insurance products.

Support for brokers

Mercator is now focusing predominantly on brokers interested in in-depth and long-term cooperation. One such broker is Steve Van Bael, who works for the family firm Groep Save-mak. "Mercator is my most important partner. It provides customized support for my marketing planning and implementation, both financially and in administrative matters. Mercator not only pays bonuses to successful brokers, it also offers training sessions which provide detailed information on the characteristics and advantages of the company's products. Mercator also organizes workshops at which I can give my own input and so participate in the ongoing process of improving products in line with client requirements."

The Gezinsplan's added value for customers is that it gives them a better overview of their state of insurance. New policies can be included in the plan or superfluous ones removed at any time. The advantage of the Gezinsplan for Mercator is that it noticeably reduces the administrative workload and thus costs. Moreover, Gezinsplan policyholders can have their monthly premiums debited directly to their bank or post office account.

Target exceeded

With its Gezinsplan, Mercator has found an ideal solution for all parties involved: customers, brokers, and the Baloise.

And the strategy is paying off. When launching the product at the beginning of 2006, Mercator's management set the target of selling 18,000 such plans within two years. This target was already surpassed by the end of 2006. On average, one additional Mercator policy was concluded with every customer contact resulting from the introduction of the Gezinsplan. This translates into an acquisition rate of 100%!

In the words of experienced broker Steve Van Bael: "Mercator launched an innovative product that has gone down very well with my demanding clientele." After all, Van Bael is out to sell not the cheapest, but the best products. And this is where Mercator definitely has an edge over its rivals, in his opinion.

Mercator's family plan generates recognizable added value for customers, brokers and the Baloise. From the beginning, this innovative product was a success. It was sold over 19,000 times in 2006.

THREE KEY POINTS

- The Gezinsplan is aimed at all individuals living in the same household.
- Customers obtain a better overview of their insurance affairs.
- Brokers receive individualized support from Mercator for the planning and implementation of marketing measures.

In permanent contact with customers

With a variety of measures, Deutscher Ring stays in contact with its customers – also after conclusion of the contract.

MAREN MÄHLMANN is usually sceptical about such special offers. A 5% discount on the packages of nearly all German travel agents. Can this be true? She is well aware of how tight margins are in the travel industry. All the same, 36-year-old Ms Mählmann books a week's hiking holiday for two on the Canary Islands including half board at a wonderful resort hotel. And in doing so saves over 100 euros. There's a reason behind her trust in this specific offer: *Urlaubsplus*, the travel agent, works closely together with Deutscher Ring, where she recently took out a life insurance policy.

Retaining customer interest

Urlaubsplus is part of a network built up last year by the Baloise's largest foreign subsidiary in connection with its new customer management program. Target: to tie the roughly 1.6 million Deutscher Ring customers more closely to the company. "Many customers forget about their insurer pretty fast," explains Michael Hagemann, the man responsible for dialog marketing at the Deutscher Ring headquarters in Hamburg. "Once the insurance contract is concluded, the policy is put into some folder and often retrieved only years later. That's usually it as far as direct customer relations are concerned. The insurer simply no longer exists in the customer's mind."

This is precisely what Deutscher Ring wants to prevent. Hagemann explains how: "We want the dialog with our customers to continue, we want to add variety and, from time to time, surprise our customers. Then we as a company and the advisor responsible will not be forgotten so fast."

"We want to retain our customer's interest and trust by offering added value that goes far beyond what they have normally come to expect from an insurance company," continues Michael Hagemann. Just a run-of-the-mill marketing ploy? Not at all. It is the result of intelligently built relationships interwoven with special measures. Measures that, at the end of the day, generate value all round – for the customers, the network partners and Deutscher Ring itself. A win-win-win situation.

Numerous advantages thanks to RingCard and the customer magazine

Two weeks after concluding her insurance contract, Maren Mählmann received the RingCard mail informing her, among other things, of the five percent travel discount. The letter also contained her personal customer card, the RingCard, which gives her access to a variety of services, information and advice in insurance matters, round the clock, 365 days a year. The card also opens the door to offers with exclusive discounts from selected cooperation partners which she can consult and take up via a website accessible only to Deutscher Ring customers.

With such benefits extended, clients are usually willing to fill out the questionnaire enclosed with the RingCard mail. This in turn provides Deutscher Ring with valuable information on its new clients, in particular on any further insurance needs they may still have. Good relationships are always a matter of give and take, and customer relationships are no exception. One out of every six new customers fills out and returns the questionnaire – a high return rate in this line of business. "Satisfied customers are the prerequisite for maintaining and expanding successful customer relations," says Michael Hagemann, "first we give them individual, high-quality advice and subsequently offer them comprehensive services. As a result, customers come to feel they have chosen the right insurance company. Even well after the policy has been concluded."

Besides the RingCard mailing, clients have, since 2006, also been sent the magazine “DerRing” four times a year. The subtitle “Mehr wissen, besser leben” (know more, live better) expresses the philosophy behind it in a nutshell. The magazine – created by experienced journalists – contains 32 pages of useful information on topics such as asset management, pensions, health and leisure. Numerous service elements and a strong focus on dialog enhance its value. Readers can for example swiftly obtain or access further-going information or arrange a meeting with an advisor via a postcard, a phone number or an internet address from the magazine. Requests are directed to Deutscher Ring’s inhouse Service Center with its 100 or so insurance specialists. These inform the distribution partner responsible, who immediately contacts the client in question. This ensures that customers will always end up talking to their personal advisors, irrespective of the channel through which they have voiced their request. And Deutscher Ring quite literally gives face time to its client.

The very first issue of “DerRing” won Europe’s highly coveted silver “Best of Corporate Publishing” award in the building society and financial services provider category. And not only experts appreciate the magazine. According to a representative survey, it is read by a full 81% of Deutscher Ring’s customers. An outstanding figure.

Ascertained higher customer satisfaction

A further element in the integrated communication concept is the “thank-you-very-much-for-your-trust” mailing. Each client who concludes a further contract receives a letter with a flower voucher worth five euros. So Deutscher Ring expresses its gratitude both in words and through flowers.

The personal RingCard with its numerous advantages, the attractive customer magazine, the floral greetings, the regular service and product information and the availability of a local, personal contact – all this adds up to greater customer satisfaction. Michael Hagemann draws the conclusion: “The more satisfied a customer is, the greater the likelihood that he or she will again opt for Deutscher Ring when a new insurance need arises. Both the satisfaction value and the number of contracts have been shown to lead to higher customer retention.” With this modern service concept, Hagemann and his colleagues are obviously on the right track, as underscored by a study conducted by the Swiss Handelsblatt and the University of St. Gallen, which nominated Deutscher Ring Germany’s most customer-oriented health insurer.

By the way, Maren Mählmann will be receiving another letter from Deutscher Ring at the end of July. No insurance proposal this time, no magazine, but a birthday card. She is turning 37 on July 30. Happy birthday!

THREE KEY POINTS

- Deutscher Ring impresses clients with its comprehensive range of services.
- Thanks to RingCard clients have round-the-clock access to services, information and advice in insurance matters.
- The magazine “DerRing” is a valuable provider of information and advice on issues around pensions, asset building, health and leisure.





SUSTAINABLE BUSINESS CONDUCT

Human resources 34

Ecology 38

Risk management 40

Corporate governance 42

“We want excellence in leadership”

The Baloise strategy is customer oriented. There is however a close link between customer satisfaction and employee satisfaction. Both are a pillar of business success and so both deserve in-depth attention and a systematic approach, according to Markus Jordi, Head of Corporate Human Resources.

The Baloise aims to be the trusted partner of choice not only for its business partners and investors, but also for its employees. What is it that makes the Baloise an attractive employer today?

There are three main reasons for this. First, the Baloise is a successful company. For employees, success is a form of recognition of their own input. Success makes them proud of their company and stimulates them to perform well. Second, there's the size of the Baloise. It is large enough to offer its staff a highly professional structure and a wide range of development opportunities in various markets and functions. But it is also small enough to have a human face and enable personal exchange of knowledge and best practice experience on the basis of what I would call the “Baloise spirit.” Third, there is its distinct culture built on a solid past, tradition, emotion and an above-average focus on staff and staff development. I realize time and again that these are the very characteristics that top people on the job market are looking for.

Are these criteria also reflected in staff satisfaction surveys?

Achieving a high level of staff satisfaction is one of the key targets of our HR work and ultimately a basis for business success. Empirical studies in recent years have shown that there is a close link between staff and customer satisfaction. So the relevance of this issue can be derived directly from our strategy. We regularly measure staff satisfaction. The results are very good in comparison with our direct competitors. This does not, however, prevent us from casting a self-critical eye on any weaknesses that surface in our surveys. We will continue to seek feedback from our employees on a regular basis as a way of ensuring our credibility. This credibility is reflected not only by the surveys we carry out, but also in other indicators such as the periodic staff interviews, performance reviews and the appraisal of line managers which evaluates management quality in an anonymous form. Indeed, the quality of leadership is one of the prime factors of staff satisfaction. This is also why we place such emphasis on excellence in leadership.

Satisfied staff need both challenges and support. Is that what they get?

Focus on staff and their development is one of the pillars of our corporate culture. Our cross-border feedback platforms in the Advanced Management and Strategic Leadership programs give us very good insight into where we stand.

Skills development is one of our prime focal points, both at organizational and individual level. In collective exchange and learning processes, we identify and develop skills and seek to implement them in our core business. How can we set up a scoring/pricing system? How can we improve our claims handling? What can we learn from past experiences? And of course we support individual employees in the development of their specific skills. Each country provides its own systematic development measures. Our Belgian unit for example draws up requirement profiles and then makes target/actual comparisons. Deutscher Ring Group has a longstanding tradition in talent and management development. Basler Deutschland in Bad Homburg, too, has a professional management development program for talented staff and puts a lot of work into the quality of its management team. Our colleagues in Austria and Luxembourg work systematically on improving strategically relevant skillsets. In Switzerland, staff portfolio analysis, strategic personnel planning and systematic skills development are all applied to bring about a longterm “upskilling” of our workforce.

Human Resources has the difficult task of reconciling rapid changes in society with a given corporate strategy. What successes can you list in this context?

In a difficult economic environment, the Baloise has successfully evolved into a highly profitable enterprise. This is evidence for me that our human capital is well aligned with our strategy. We have worked intensively at developing our skillsets over the past few years, viewing ourselves as a learning organization. Particularly in the field of target customer management, we have made enormous progress. Never before has the Baloise known its clients as well as it does today.

Does the Baloise also know its employees?

Our strategy is customer driven. That's why we will continue to work at our customer relationship competencies. I believe, however, that just as much attention must be paid to the employer-employee relationship and that our staff also deserve nothing less than a methodical and systematic approach to this relationship. This is another reason why we place such emphasis on the quality of our management portfolio: to ensure that our managers are capable of guiding and supporting their staff in the demanding development processes. Our healthy corporate culture is now being enriched by a reinforced focus on targets, performance and implementation. A willingness to put in above-average performance has become indispensable. It's like in sports: success motivates, unleashes passion and creates a fresh dynamic.

You say that a strong culture, excellence in leadership and high performance levels are the foundations of the Baloise's success. What then are the top-most priorities for HR?

Excellence in leadership is no doubt the strategic priority. It comprises three elements. First, there is the targeted identification and recruitment process. Then come systematic support and empowerment through the appropriate development measures. And third, we strive for longterm staff retention by means of a performance and success-based culture and attractive employment terms. We use feedback processes as well as a Group wide program which helps staff on the road to leadership through learning, exchange of knowledge and experience, and enhanced self-awareness. It is the same kind of process that also enables people to become true specialists in their fields. We will support the identification process in an increasingly pragmatic way and expand the exchange of talented staff within the Baloise Group. To promote not only strategic knowledge and business competence, but also excellence in leadership, we also need to have a common cross-border understanding within the Group of what we mean by excellent leadership.

Common procedure, common targets. How can this be aligned with the maxim claiming that all business is local?

We need strong local HR organizations that are represented on the executive management teams and are integrated in the management processes. Corporate Human Resources defines uniform strategic impulses and promotes understanding of how we can put our business strategy into operation at HR level on the basis of local circumstances. Ultimately, it's about adding value for the Group by jointly developing skills, systems, tools, minimum standards and the sharing of best practice.

PREPARING FOR A POSSIBLE PANDEMIC

Prevention means a lot to us, not only for our insurance business, but also in view of threats we ourselves are faced with, such as an influenza pandemic. Our groupwide prevention strategy is based on the following pillars:

■ PROTECTION OF STAFF

Besides protection offered by the state and private providers, all employees will receive additional means of protection such as masks, gloves and in certain cases, subject to local permission and in cooperation with the authorities, Tamiflu®, a medicament.

■ SAFEGUARDING BUSINESS PROCESSES

To ensure that business processes are upheld, we have revised the local contingency plans, supplementing them with the pandemic scenario. Regular information on measures taken has been made available internally since 2006.

The following case examples provide an insight into how the key competencies stipulated by the HR strategy are developed and put into practice in the various countries.

High-level performance and result orientation

Basler Switzerland introduced its Individual Performance Management (IPM) system in January 2006. The comprehensive performance agreement for each employee now includes not only the annual targets but also the main tasks and responsibilities. The agreement process includes a discussion of the skills required for the specific tasks, a conduct analysis and a catalogue of measures to be taken. IPM stands for the process by which the Basloise assesses, steers and rewards each employee's contribution to the company's success. It also provides the link between the targets and strategies of the company and the targets and tasks of the individual staff member.

Highly qualified learning organization

For Mercator in Belgium, the start of the "function exercise@mercator" project in 2006 represented a first step on the road to becoming a learning organization. One of the project targets is to establish a competence profile for each function. It is derived from the result-oriented function description and includes both technical knowledge and soft skill requirements. The profile will form the basis for the employee's further career development. It also facilitates efficient communication between staff and line managers.

Excellent leadership and management skills

Deutscher Ring launched the second edition of its demanding two-year development program for future departmental heads and in-house project managers in 2006. The aim of the program is to retain high-potential staff members, develop management talent within the company's own ranks and enhance the company's management quality over the long term. Participants are accompanied by mentors from top management throughout the program. The program builds on individualized learning and development plans with a strong link to the candidate's practical work. Six out of the nine graduates assumed management or project management functions already before the end of the program.

Pinpointing management potential

Basler Deutschland applied its Personnel Portfolio Conference successfully for the second time in 2006. It is used to measure the performance and potential of senior managers. In the course of the conference, each company board introduced its top managers and their appraisals. Through a common, transparent decision-taking process, there emerged an overall view of Basler's top management potential and the necessary individual steps to be taken to exploit this potential. A clear take of the company's leadership potential automatically make it easier to handle transition processes successfully.

High standing in the job market

Basler Switzerland developed its Insurance Trainee Program in 2006 in addition to the existing General Trainee Program (GTP). The aim is to gain talented and highly qualified young people for the core insurance business and to prepare them for managerial, specialist or project management functions. The individual training modules are held in various insurance segments at head office. A module involving stints with the sales teams can also be selected.

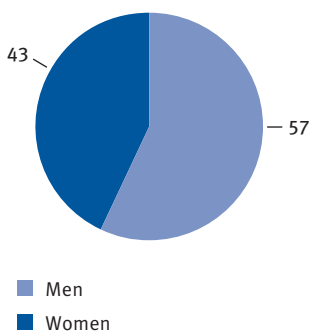
Corporate culture focused on staff and customers

A project team from Basler Austria initiated workshops in 2006 aimed at fostering corporate culture in 2006 for staff from all sectors and hierarchic levels of the company. The target was to improve communication and enhance cooperation between the different departments and functions. Through team and confidence building activities, the participants swiftly got to know and understand one another better.

KEY FIGURES

- The Baloise Group’s staff count amounted to 7,459 as at December 31, 2006 (2005: 7,548). Note: Since the Annual Report 2005, staff figures have been stated in terms of full time equivalents (FTE).
- The staff turnover rate decreased slightly by 0.5% in 2006, coming to a little over 9%.
- The number of younger staff members increased somewhat in 2006. Overall, the average age went up, reflecting the general demographic trend.
- Around 18% of the workforce opted for part-time work in 2006. Even though the number of men in this category rose slightly, part-time positions were still predominantly held by women.
- About CHF 20 million was spent on staff training and development in 2006. Staff members spent a total of 21,499 days on basic and advanced training courses.
- 320 positions were offered to apprentices, trainees and interns throughout the Group. This reflects the significance that the Baloise attaches to the education and training of young people.

Workforce by gender
in percent



Category	2005		2006	
	Men in %	Women in %	Men in %	Women in %
Staff	49	51	49	51
Middle Management	83	17	79	21
Senior Management	93	7	90	10
Total	58	42	57	43

The Board of Directors of Baloise-Holding comprises eight men and two women.

TOP LINKS

- www.baloise.com/careers
 - Facts and figures
 - Values and culture
 - Management training
 - Open positions

Going easy on the environment

With a variety of measures the Baloise is striving to continually reduce its direct impact on the environment. In 1995, as one of the first insurance companies, it signed the declaration of sustainable development included in the United Nations Environment Programme. The principles it contains are substantiated in the groupwide environmental mission statement.

Awareness of environmental efficiency in our own operations

Since 1995 we have recorded our energy and material flows according to the recommendations of the Association for Environmental Management in Banks, Savings Banks and Insurance Companies (VfU). The figures provided in the Annual Report refer to the larger properties used in operations. This is where 58% of all employees work and is generally also where central functions such as computer centers and staff cafeterias are located.

Encouraging reduction in energy and material flows

Energy and material flows have declined since the prior year, an encouraging result! See below for details. Consumption figures for the individual country units are available at www.baloise.com.

Ergonomic advantages and energy savings to boot

Electric power consumption declined in 2006 due to low power consumption for office air conditioning thanks to a relatively cool summer and to various internal measures. Over 3000 CRT monitors were replaced by flat-panel screens at Basler Versicherungen in Switzerland and Deutscher Ring in Germany. The result is not only enhanced ergonomics for our employees, but also substantial direct electric power savings. A conventional CRT monitor consumes about 2.5 kW per day, whereas a flat-panel screens consumes only 0.9 kW. Displays that consume less power also give off less heat, reducing the need for cooling in air conditioned offices.

Tracking down energy drains and further reducing electricity consumption

Fluctuations in consumption figures often reflect transitory climatic conditions such as long, warm summers with strong demand for cooling or relatively mild winters with a correspondingly low number of heating days. We expect major future savings primarily through newer technologies and more efficient use of infrastructure. One example is replacing the nearly 25-year-old lighting fixtures in the corridors, and open-plan offices of the main corporate headquarters building, which will nearly halve electric power consumption. To use existing infrastructure more efficiently, we integrated a country unit's computing center into the Basel center in 2006. We will apply focused measures to reduce electricity consumption by a further five percent over the next five years. Changes in the environment and scarcer energy resources both oblige and motivate us to do our part as a responsible corporate citizen.

Avoiding waste while doing good

The Baloise believes in reducing, reusing and recycling waste. We recycled a total of 187 tons of paper and cardboard at corporate headquarters in 2006. Deutscher Ring replaced 1,400 desktop computers in the summer of 2006. Of the computers replaced, 400 were donated to schools in Hamburg and 1,000 to a dealer for refurbishing and reuse.

	2004 absolute	2005 absolute	2006 absolute	relative	Unit	+/- % (absolute)
Employees	5,346	4,946	4,618		headcount	-7.10%
Energy reference area	160,460	156,948	154,089		ERA m ²	-1.86%
Sites	14	13	13		number of buildings	0.00%
Electric power consumption	27,763,505 kWh	27,445,345 kWh	26,020,455 kWh	5,635	kWh / employee	-5.48%
Heating energy consumption	17,045,531 kWh	16,121,210 kWh	15,613,007 kWh	101	kWh / m ²	-3.25%
Water consumption	73,056 m ³	72,936 m ³	71,571 m ³	62	l / employee / day	-1.91%
Paper consumption	957 t	851 t	794 t	172	kg / employee	-7.18%
Paper varieties, percent				5.00%	recycled	
				95.00%	chlorine-free	
				-/-	chlorine bleached	
Copy paper consumption	85.3 m A4 sheets	81.6 m A4 sheets	81.6 Mio. A4 sheets	17,659	A4 sheets / employee	-4.56%
Solid waste volume	1,122t	1,059t	1,019t	221	kg / employee	-3.93%
Waste varieties, percent				49.00%	paper / cardboard	
				10.00%	other materials	
				3.00%	special waste	
				38.00%	misc. waste / trash	
Business travel	14.37 Mio. km	13.15 Mio. km	13.15 Mio. km	2,848	km / employee	0.00%
Modes of travel, percent				23.30%	km by air	
				47.50%	km by road	
				29.10%	km by public transport	
CO ₂ emissions	19,643t	18,925t	18,084t	3,916	kg / employee	-4.65%

¹ Consumption figures for the Luxembourg unit are not included in the table as the company was moving into new premises at the time.

CO₂ emissions reduced

Electric power in Switzerland is primarily generated by hydroelectric and nuclear power plants, both low-CO₂ sources. CO₂ emissions from electric power consumption in our environmental assessment were calculated in accordance with the guidelines of the Union for the Coordination of Transmission of Electricity (UCPTE 92). These guidelines assume that electric power is generated from a mix of coal, gas, diesel, nuclear and hydro sources and yield higher CO₂ emissions than those of Switzerland's actual hydro and nuclear based power generation. The reported CO₂ impact from electric power consumption in our environmental assessment is thus correspondingly higher. Six of the 13 major operating sites are heated by district heating, which causes lower CO₂ emissions than local heating with gas or heating oil. This reduces the CO₂ impact of heating in our environmental assessment accordingly.

Fair to our partners, fair to the environment

We have formulated procurement principles to reduce environmental impacts at all of our locations in Switzerland. These principles also help induce our partners to establish high standards and commit to supplying environmentally friendly products. For imports, we require our suppliers to provide certification of compliance with International Labor Organization ILO conventions. As a fair partner to our suppliers, we actively oppose improper practices, from the tendering process through to delivery and payment.

Since sustainability is part of our daily business, we have integrated the topic directly into our Annual Report. A separate Sustainability Report is no longer published. For more information on sustainability, please see:

■ www.baloise.com → Profile → Sustainability

TOP LINKS

- www.baloise.com/sustainability
- [Commitment to sustainability](#)
- [Environmental audit](#)
- [Environmental mission statement](#)

Risk management – risk is our business

Risk management is increasingly crucial for the insurance business due to greater regulatory demands and the trend toward risk-based business management.

How does the Baloise deal with risk management? German Egloff, CFO of Baloise-Holding, explains how things fit together.

What does the Baloise Group mean by risk management?

GERMAN EGLOFF: Handling risk is really what our business is all about. Our clients entrust us with their risks and expect us to keep them under control. Thus all of our employees are risk managers in the broadest sense.

As a business in the field of risk, we must as far as possible be able to avoid surprises in the occurrence of risks and always act with foresight. This is a big challenge that requires a great deal of experience.

What does risk management mean to you in a financial sense?

GERMAN EGLOFF: First of all it refers to judicious management of the capital entrusted to us by our shareholders. The core question we face every day is, how do we economically achieve the optimum return on our capital? The relationship of income to risk and capital efficiency are issues at the heart of our business.

Concretely, professional risk management ensures the best-possible sustainable creation of value, which in turn provides the basis for the Baloise Group to thrive in the long term. The capital strength achieved in this way is what provides security for policyholders in the truest sense. Consequently, risk management addresses the combined needs of customers and shareholders.

This is a particular challenge for the Board of Directors and Corporate Executive Committee, who bear the ultimate responsibility for risk management.

How does the Baloise manage risks?

GERMAN EGLOFF: We possess a highly sophisticated system of methods, processes and reports for monitoring and managing our risks on an ongoing basis. One example is our model for determining risk capital, which we implemented back in 1998 and have since developed further. At present we are transitioning to an even better model which complies fully with the requirements of Solvency II and the Swiss Solvency Test. With this we will be well equipped to deal with regulatory demands in all our markets.

The system is supported by an internal organizational structure incorporating a system of checks and balances which defines and embodies clear risk categories in the roles of risk owners and risk controllers.

These risk categories are systematically documented in a “risk map.” They cover the full span of our business activities. Examples include insurance risk, investment risk and operating risk. All categories are recorded, monitored and reported on in line with their magnitude. Predefined response plans are used to control the substantial risks.

And how does this system fit in with your approach of concentrating on high-revenue customers?

GERMAN EGLOFF: From the customer’s perspective, risk management means offering them the product at a fair price in line with the risk. Thus a risk management system must provide the right impetus not only at the corporate level, but also at the customer level.

Mr Egloff, can you give us some examples of how effective risk management is at the Baloise?

GERMAN EGLOFF: I can illustrate this by three examples.

First, the corporation sets out targets for each business unit in the business plan. These targets individually address the risk situations of the units and are built into the performance targets of local management.

Second, we only really find out how effective a risk management system is when confronted with extreme situations. Our system proved itself in the stock market crash of 2001 to 2003. Despite an initially high exposure in equities, we made it through this difficult phase without having to seek new capital infusion. The flood-related claims in December 2005, when gross claims of CHF 220 million resulted in a net loss expense of only about CHF 70 million, illustrated the effectiveness of our use of reinsurance as a risk management tool.

Third, our risk management culture is reflected in our day-to-day business. Our most important business processes are closely linked to the risk management process. For example, we have institutionalized monthly reporting of our risk capital position and regular reporting on individual risks. Risk topics are standard agenda items for every management meeting between the Group CEO and local CEOs.

Is there a connection between the share buy-back program and risk management?

GERMAN EGLOFF: We have a very high-quality balance sheet today and are adequately capitalized for our business and risk profile. Thanks to our good revenue situation and profit quality we have the ability – and have done so more than once in the past – to distribute attractive cash dividends to our shareholders and additionally to pay back a part of our equity.

What are the current hot topics in the insurance business?

GERMAN EGLOFF: The debate on mandatory earthquake insurance in Switzerland has only just begun. Or consider the topic of climate change. The crucial thing here is to understand the immediate effect on insurance so that appropriate measures can be initiated.

What challenges does the future hold?

GERMAN EGLOFF: Risk management is a strategic issue at the Baloise Group because effective risk management is a key competitive advantage for us. It enables us to strengthen and expand our position in three ways: through pricing commensurate with risk, by managing risk at the portfolio and business unit levels, and by high-quality capital management. Generally this makes us less dependent on market fluctuations. The ability to deploy capital in a resolute and efficient manner in terms of maintaining an optimum relationship between risk and income will continue to be one of our strengths.

This is why the further development of our risk management strategy, which is well underway, is such an over-arching, high-priority task.

THREE KEY POINTS

- Our professional risk management ensures optimum and sustainable value creation.
- Financial capacity is policyholder protection in the strictest sense.
- Risk management is one of our top strategic priorities.

Transparent corporate governance

As a value-oriented company, the Baloise has always been committed to responsible corporate governance, a tradition we carry forward today.

Against the background of the Swiss Code of Best Practice and the SWX Corporate Governance Directive, the Baloise is above all dedicated to a corporate culture with high ethical standards and an emphasis on the integrity of company and employees. The Baloise is convinced that outstanding corporate governance will have a positive effect on the company's long-term performance.

To enhance transparency and comparability with previous years and with other companies, this section follows the structure of the July 1, 2002 version of the SWX Corporate Governance Directive. The amended Swiss Code of Obligations (Art. 663b^{bis} and Art. 663c[3]) and the amended SWX Corporate Governance Directive, which both entered into force on January 1, 2007 for the financial year beginning on or after January 1, 2007, will be used in the 2007 Annual Report.

1. Group structure and shareholders

Corporate structure

The Baloise is organized as a holding company in the form of a joint-stock company under Swiss law. It is domiciled in Basel and is listed on the SWX Swiss Exchange. On December 31, 2006 the Baloise Group had a market capitalization of CHF 6,736.4 million. Information on the Baloise's shares can be found on page 12 of the Annual Report. The major companies and equity holdings as of December 31, 2006 are found in the Notes to the financial statements in the Financial Report starting on page 74. In addition to Baloise-Holding, the subsidiary OVB Holding AG has also been exchange-listed since July 21, 2006. It is traded on the Prime Standard market of the Frankfurt Stock Exchange (ISIN DE0006286560). For more information please see www.ovb.ag.

Segment reports by region and business segment are found in the Notes to the financial statements in the Financial Report starting on page 36.

The Group's operating management structure is presented on page 61 of the Annual Report.

Shareholders

Changes in share ownership

As of December 31, 2006 one shareholder subject to registration pursuant to Swiss stock exchange law held more than 5% of outstanding Baloise shares.

As a widely-held public corporation, the Baloise is part of the Swiss Market Index (SMI) and is included in the SWX's index calculations with 100% of shares in free float.

Shareholder structure

As of December 31, 2006, Barclays Group held 5.4% of outstanding shares. A total of 13,386 shareholders were recorded in the Baloise share register on December 31, 2006. The number of registered shareholders was 8.4% lower than in the previous year.

More information on the structure of shareholders as of December 31, 2006 can be found in the section "Baloise share" starting on page 12 of the Annual Report.

Treasury stock

The Baloise held 1,849,548 treasury shares on December 31, 2006. These shares are used in the incentive and employee share ownership programs, among other things.

Cross-shareholdings

There are no cross-holdings either of share capital or voting rights.

2. Capital structure

Distribution policy

The Baloise pursues a policy of continuous distributions based on earnings. Along with conventional cash dividends, additional distribution methods such as share buybacks and options are also used. As a rule, about one-third of annual earnings is distributed, taking account of the Group's self-financing needs.

Share buyback program

The Baloise Board of Directors resolved on March 10, 2006 to repurchase up to 10% of issued share capital within the next three years. This amounts to a maximum of 5,530,715 registered shares with a nominal value of CHF 0.10 each. The shares will be repurchased through a separate trading line, deducting withholding tax. At present the Baloise has not yet made any decision concerning the use of the repurchased registered shares. It has the options of using the repurchased shares for a capital reduction or for acquisitions or to resell them.

The second trading line was opened on May 22, 2006 on virt-x. By the end of 2006, 1,074,000 shares had been repurchased, representing 1.94% of outstanding shares. In relation to the volume of the share buyback program for up to 5,530,715 shares, 19.4% of the maximum approved volume has been repurchased so far since the start of the program.

The buyback volume and prices are published weekly on the Internet.

■ www.baloise.com → Investor relations → Baloise share → Share buyback program

Distributions to shareholders

Through our shareholder-friendly distribution policy, the Baloise has repaid CHF 484.3 million to its shareholders via cash dividends and share buybacks over the past five years.

Year	Cash dividends	Share buybacks	Total
2002	132.7	-/-	132.7
2003	22.1	-/-	22.1
2004	33.2	-/-	33.2
2005	60.8	-/-	60.8
2006	121.7	113.8	235.5
Total	370.5	113.8	484.3

In CHF million, at March 31 of each year before 2005, at December 31 starting in 2005 (end of the fiscal year).

Bâloise-Holding shareholders' equity

The following table shows changes in shareholders' equity over the past three reporting years.

Changes in Bâloise-Holding shareholders' equity (before allocation of profit)

	Fiscal year 2004/2005	Fiscal year 2005	Fiscal year 2006
Share capital	5.5	5.5	5.5
General reserve	11.7	11.7	11.7
Reserve for treasury stock	16.7	7.9	119.1
Unallocated reserve	520.8	593.2	498.1
Retained earnings	125.0	138.5	258.1
Bâloise-Holding shareholders' equity	679.7	756.8	892.5

In CHF million, at March 31 of each year before 2005, at December 31 starting in 2005 (end of the fiscal year).

Bâloise-Holding's share capital has remained unchanged over the past three reporting years at CHF 5.5 million. It is split into 55,307,150 dividend-entitled registered shares with a par value of CHF 0.10.

Further information on Baloise shares can be found in the section "Shareholders' participation rights" on page 53.

Authorized and conditional capital, other financing instruments

Authorized capital

Bâloise-Holding has no authorized capital.

Conditional capital

The Annual General Meeting of 2004 created conditional capital (Art. 3 Articles of Incorporation). Through this the share capital may be increased by a maximum of 5,530,715 registered shares with a par value of CHF 0.10 each, for a maximum increase in nominal share capital of CHF 553,072.

The conditional capital is intended to secure any option or conversion rights granted in connection with bonds or similar instruments. No such financing instruments have been issued to date. Subscription rights for shareholders are excluded. The right to purchase the new registered shares belongs to the current holders of options and conversion rights.

The Board of Directors may restrict or exclude shareholders' pre-emption rights for the issue of options and convertible bonds on international capital markets. Further details on the structure of the conditional capital can be found in Art. 3 of Bâloise-Holding's Articles of Incorporation.

■ www.baloise.com → Profile → Corporate governance → Rules and regulations

Other financing instruments

There are no participation certificates, bonus certificates or bonds convertible to Company participation rights or options issued by the Company.

Baloise Group consolidated equity

The consolidated shareholders' equity of the Baloise Group as of December 31, 2006 totaled CHF 4,986.5 million. Details on developments in 2006 and 2005 can be found in the Financial Report on pages 8 and 9 in the "Consolidated statement of changes in equity" of the consolidated financial statements. All details for 2004 can be found in the "Consolidated statement of changes in equity" on page 10 of the 2005 Financial Report.

Outstanding bonds

Baloise-Holding and other Group companies have issued bonds to the public. At the end of 2006 a total of four bond issues from Baloise-Holding and subsidiaries were outstanding with the public. Details on the outstanding bonds can be found in the Notes to the financial statements of Baloise-Holding on page 80 and on the Internet.

■ www.baloise.com → Investor relations → Bonds

3. Board of Directors

Members

Name	Nationality	Age	Term began	Term ends
Dr. Rolf Schäuble, Chairman	CH	63	1993	2008
Dr. Georg F. Kraye, Vice Chairman	CH	64	1995	2007
Dr. Christoph J. C. Albrecht	CH	69	1985	2009
Dr. Andreas Burckhardt	CH	56	1999	2009
Dr. Hansjörg Frei	CH	65	2004	2007
Prof. Dr. Gertrud Höhler	D	66	1998	2007
Dr. Klaus Jenny	CH	65	2003	2009
Werner Kummer	CH	60	2000	2007
Dr. Arend Oetker	D	68	1996	2008
Dr. Eveline Saupper	CH	49	1999	2008

Only the Chairman of the Board of Directors holds an executive position. All other members are non-executive and independent. They were not responsible for the management of any company of the Group during the three fiscal years preceding the period under review and have no material business relations with the Baloise Group.

The following members were confirmed in office for a new three-year term in the year under review:

- Dr. Christoph J. C. Albrecht,
- Dr. Andreas Burckhardt and
- Dr. Klaus Jenny.

Rolf Schäuble (1944, Swiss, Dr. oec. HSG) has served on the Board of Directors since 1993, since 1994 as Chairman. From 1996 until February 28, 2002 he was also Managing Director and CEO. Upon completing his studies in economics he was awarded the degree of Dr. oec. at the University of St. Gallen. From 1975 to 1993 he held various positions at the Zurich Insurance Group in Zurich culminating in membership of the Group Executive Board.

Georg F. Krayer (1943, Swiss, Dr. iur.) has served on the Board of Directors since 1995, as Vice Chairman since 2004. He studied law and holds the degree of Dr. iur. He is Chairman of the Board of Directors of Bank Sarasin & Cie AG, Basel, and was Chairman of the Swiss Bankers Association until 2003. He is an independent non-executive director.

Christoph J. C. Albrecht (1938, Swiss, Dr. iur.) has served on the Board of Directors since 1985. He studied law and was awarded the Dr. iur. degree at the University of Basel and is currently a partner at the law firm of Joerin Hopf, Basel, working as an attorney-at-law and notary. Christoph J. C. Albrecht is Chairman of the Board of Directors of Thüring AG, Basel, and sole member of the Board of Directors of Interhaba AG, Basel. He is an independent non-executive director.

Andreas Burckhardt (1951, Swiss, Dr. iur.) has served on the Board of Directors since 1999. He studied law at the Universities of Basel and Geneva and holds a Dr. iur. degree. He worked at Fides Treuhandgesellschaft from 1982 to 1987 and was General Secretary of the Baloise Group from 1988 to 1994. He has been Director of the Basel Chamber of Commerce since 1994. Andreas Burckhardt is Vice President of the Swiss Association of Chambers of Commerce and President of the Great Council of the Canton of Basel-Stadt for 2006/2007. He is an independent non-executive director.

Hansjörg Frei (1941, Swiss, Dr. iur.) has served on the Board of Directors since 2004. He studied law and was awarded the Dr. iur. degree at the University of Zurich. Hansjörg Frei was employed at Winterthur from 1982, culminating as member of the Group Executive Board for operations in Switzerland, and was a member of the Executive Board (Head of International Country Management) at Credit Suisse Financial Services from 2000 until his retirement in mid-2003. From 2000 to 2003 he was Chairman of the Swiss Insurance Association (SIA). Hansjörg Frei is a member of the Board of Directors of Ems-Chemie Holding AG and Chairman of the Pension Fund of the Ems Group. Since February 2006 he has been Chairman of the SVP (Swiss People's Party) for the Canton of Zurich. He is an independent non-executive director.

Gertrud Höhler (1941, German, Prof. Dr. phil.) has served on the Board of Directors since 1998. She is a business and political consultant and was Professor of Literature and German at the University of Paderborn from 1976 to 1993. She studied literature and art history in Bonn, Berlin, Zurich and Mannheim. Gertrud Höhler served as consultant for public relations issues at Deutsche Bank AG from 1987 to 1990 and as non-executive Director for Grand Metropolitan PLC, London, from 1992 to 1995. She serves on the Boards of Directors of Ciba Spezialitätenchemie AG, Basel, and Georg Fischer AG, Schaffhausen. Gertrud Höhler is an independent non-executive director.

Klaus Jenny (1942, Swiss, Dr. oec. HSG) has served on the Board of Directors since 2003. He studied economics and was awarded the Dr. oec. degree at the University of St. Gallen. Klaus Jenny was a member of the General Directorate of Schweizerische Kreditanstalt and member of the Credit Suisse Group Executive Board from 1987, serving most recently as CEO of the Credit Suisse Private Banking business unit. Since 1999 he has been a private financial advisor for businesses and individuals. He serves on the Boards of Directors of Clariant AG, Maus Frères SA and several private companies. Klaus Jenny is an independent non-executive director.

Werner Kummer (1947, Swiss, dipl. Ing. ETH, MBA Insead) has served on the Board of Directors since 2000. From 1990 to 1994 he chaired the Executive Board of Schindler Aufzüge AG, joining the Schindler Group Management Committee with responsibility for the Asia Pacific region in 1998. From 1998 to March 2004 he was CEO of Forbo Holding AG. Werner Kummer is a self-employed business consultant, member of the Boards of Directors of WMH Walter Meier Holding AG and Schlatter Holding AG, Chairman of the Board of Directors of Gebrüder Meier AG, member of the Supervisory Board Committee of Schindler Deutschland Holding GmbH and member of the board of the Zurich Chamber of Commerce. He is an independent non-executive director.

Arend Oetker (1939, German, Dr. rer. pol.) has served on the Board of Directors since 1996. He studied management and political science at the Universities of Hamburg, Berlin and Cologne and was awarded the Dr. rer. pol. degree at the University of Cologne. He is Executive Partner of Dr. Arend Oetker GmbH & Co. KG, Berlin, as well as Chairman of the Supervisory Board of Schwartauer Werke GmbH & Co. KGaA, Bad Schwartau, Chairman of the Board of Hero AG, Lenzburg, member of the Supervisory Board of Degussa AG, Düsseldorf, member of the Supervisory and Partnership Board of Merck KGaA, Darmstadt, and Deputy Chairman of the Supervisory Board of KWS Saat AG, Einbeck. He is also Chairman of the German Council on Foreign Relations and of the Association of Donors for German Science. Arend Oetker is an independent non-executive director.

Eveline Saupper (1958, Swiss, Dr. iur.) has served on the Board of Directors since 1999. She studied law at the University of St. Gallen and holds a Dr. iur. degree. Today she is an attorney-at-law and certified tax expert. From 1983 to 1985 she worked at Peat Marwick Mitchell (now KPMG Fides), Zurich, and from 1985 to 1992 for Baker & McKenzie, Zurich and Chicago. Since 1992 she has been with Homburger Rechtsanwälte, Zurich, where she is a partner. Eveline Saupper is a member of the Board of Directors of Intershop Holding AG, Winterthur. She is an independent non-executive director.

Further information on the members of the Board of Directors is available on the Internet.

■ www.baloise.com → Profile → Organization → Board of directors

Cross-involvements

There are no cross-involvements.

Election and term of office

The Board of Directors was made up of ten members at the close of 2006. Members are elected by the Annual General Meeting for terms of three years. Terms are staggered, with one-third of members' terms expiring each year unless they are re-elected. Under age restriction rules, a director's mandate expires at the time of the Annual General Meeting following his or her 70th birthday, at the latest. The present average age of members is approximately 62. Each member of the Board of Directors is elected – and, at the shareholders' request, granted discharge – individually.

Internal organization

Functions of the Board of Directors

Subject to the decision-making authority of the shareholders at the General Meeting, the Board of Directors is the Company's supreme decision-making body. Decisions are in principle made by the Board of Directors unless competencies have been delegated by the bylaws to the Chairman of the Board of Directors, the Committees, the Corporate Executive Committee or the CEO. The main functions of the Board of Directors, pursuant to Art. 716a of the Swiss Code of Obligations and Section 1 II of the bylaws, are the general management, overall supervision and financial supervision of the Company and determination of its organizational structure.

■ www.baloise.com → Profile → Corporate governance → Rules and regulations

Committees of the Board of Directors

The work of the Board of Directors is supported by four committees. These committees report to the Board of Directors and submit the necessary proposals in their respective areas of responsibility. The Investment Committee and the Compensation Committee in particular possess autonomous decision-making authority.

Overview of committees

Name	Chairman's Committee	Audit Committee	Compensation Committee	Investment Committee
Dr. Rolf Schäuble	C			C
Dr. Georg F. Krayer	VC		C	DC
Dr. Christoph J. C. Albrecht		DC		
Dr. Andreas Burckhardt		M		
Dr. Hansjörg Frei	M	M		M
Prof. Dr. Gertrud Höhler			M	
Dr. Klaus Jenny	M		DC	M
Werner Kummer		C		
Dr. Arend Oetker				
Dr. Eveline Saupper			M	

C: Chairman, VC: Vice Chairman, DC: Deputy Chairman, M: Member

Each of the committees appointed by the Board of Directors is composed of four members, who are elected each year by the Board. The Chairman and Deputy Chairman of the Board of Directors are ex officio members of the Chairman's Committee. The Chairman of the Board of Directors may not be a member of the Audit Committee. The basic duties of the Committees are governed by the bylaws and the written regulations pertaining to each committee.

■ www.baloise.com → Profile → Corporate governance → Rules and regulations

Functions of the committees

The **Chairman's Committee** provides advice on particularly important business transactions, especially important strategic and personnel decisions. It also functions as a Nomination Committee. The same members make up the **Investment Committee**, which approves the Group's investment policies and real estate investments for the Group's own use at Head Office.

The **Compensation Committee** sets the structure and amount of compensation to members of the Board of Directors and salaries of Corporate Executive Committee members. It formulates an incentive plan setting forth high-level corporate goals and defining attainment of these goals. It approves compensation policies for Corporate Executive Committee members and oversees their proper application.

The **Audit Committee** supports the Board of Directors in its general and financial oversight duties, which cannot be delegated (Art. 716a, Swiss Code of Obligations), by forming its own judgment of the organizational structure and functioning of the internal and external auditing system and the annual and consolidated financial statements. The Audit Committee additionally assesses the quality of the internal control system, including risk management, and gives scrutiny to the state of compliance within the company. The Audit Committee discussed the fiscal 2006 consolidated financial statements both with management and with the external auditors. On the basis of these discussions, the Audit Committee recommended that the audited annual financial statements be incorporated into the Group's Annual Report for the fiscal year ended December 31, 2006 for submission to the Annual General Meeting. The Board of Directors concurred with this proposal.

Board of Directors and committee meetings

In accordance with the bylaws, the full Board of Directors meets as often as business requires, but no less than four times a year.

■ www.baloise.com → Profile → Corporate governance → Rules and regulations

In 2006 the full Board of Directors met five times. The following table shows the directors' attendance at full Board meetings. All committee members were present at all of the additional 16 committee meetings. Thus board attendance by members of the Baloise Board of Directors is a respectable 99.5%.

Board attendance 2006: Meetings of the full Board of Directors

Name	3/10/06	4/28/06	8/31/06	12/6/06	12/7/06
Dr. Rolf Schäuble, president	x	x	x	x	x
Dr. Georg F. Kraye, vice president	x	x	x	x	x
Dr. Christoph J. C. Albrecht	x	x	x	x	x
Dr. Andreas Burckhardt	x	x	x	x	x
Dr. Hansjörg Frei	x	x	x	x	x
Prof. Dr. Gertrud Höhler	x	x	x	x	x
Dr. Klaus Jenny	x	x	x	x	x
Werner Kummer	x	x	x	x	x
Dr. Arend Oetker	x	x	x	o	x
Dr. Eveline Saupper	x	x	x	x	x

x = present, o = absent.

■ www.baloise.com → Profile → Corporate governance → More information

In 2006, as every year, a seminar was held for members of the Board of Directors. This year's main topic was site location in relation to corporate strategy.

The Chairman's Committee met eight times last year, including one two-day strategy session. The Investment Committee met once. The Audit Committee held five meetings, the Compensation Committee two.

Members of the Corporate Executive Committee are regularly invited to meetings of the full Board of Directors. Meetings of the Audit Committee are generally attended by the Chief Executive Officer, the Chief Financial Officer, the head of the Corporate Audit department, the head of Legal, Tax and Compliance (who is also Secretary of the Board of Directors) and representatives of the external auditors.

Division of authorities and duties between the Board of Directors and the Corporate Executive Committee

The division of authorities and duties between the Board of Directors and the Corporate Executive Committee is primarily governed by the bylaws and investment regulations. Both documents are continually reviewed and updated as changing circumstances require.

■ www.baloise.com → Profile → Corporate governance → Rules and regulations

Tools for auditing and monitoring the Corporate Executive Committee

The Corporate Audit department with its ten auditors reports directly to the Chairman of the Board of Directors. The auditors are experts in underwriting, actuarial theory, finance and information technology. Since effective risk management is of central importance for an insurance group, a section of the Annual Report starting on page 40 and of the Financial Report starting on page 23 is dedicated to the management of financial risks.

Members of the Board of Directors are provided with minutes of Corporate Executive Committee meetings for inspection.

4. The Corporate Executive Committee

The management structure of the Baloise Group is presented on page 61.

Frank Schnewlin (1951, Swiss, Dr. ès. sc. écon., Master of Science LSE, MBA Harvard) studied business management at the University of St. Gallen, graduating with a degree in economics (lic. oec. HSG) with specialization in insurance and risk management. He earned a Master of Science at the London School of Economics, Master of Business Administration at Harvard Business School, Boston, and a doctorate in economics (Dr. ès. sc. écon.) at the University of Lausanne. He was a Research Fellow at Harvard Business School. He worked at the Institut für Versicherungswirtschaft, St. Gallen, and Citibank N. A., New York. He was employed at Zurich Financial Services Group from 1983 to 2002 in various positions. He joined its Group Management Board in 1993 with responsibility for the Southern Europe, Asia/Pacific, Latin America, Middle East and Africa business division and served as Head of Corporate Center and on the Executive Committee of the Group Management Board from November 2000. Frank Schnewlin has been Chief Executive Officer and Head of the International Division at the Baloise Group since March 2002. He is a board member of the Basel Chamber of Commerce.

German Egloff (1958, Swiss, lic. oec. HSG) graduated in management studies from the University of St. Gallen. From 1985 he held various management positions at Winterthur Insurance, Switzerland. He served as head of Management Support from 1990 to 1995, where among other things he was responsible for developing a management information system. From 1997 he was responsible for individual non-life insurance as a member of the Executive Board, including managing Wincare and serving as Chairman of the Board for Sancare. From 1998 to 2002 he was Chief Financial Officer of Winterthur Switzerland and member of the Administrative Board of Wincare, serving as Chairman from 2000. From 2002 to 2004 he was Chief Financial Officer at Zurich Financial Services, Switzerland, with responsibility for finance, human resources, IT, logistics and procurement. Since December 1, 2004 he has served on the Corporate Executive Committee (head of Corporate Finance) with responsibility for financial relations, financial management and financial accounting, as well as corporate development and run-off since August 31, 2005.

Martin Strobel (1966, German, Dr. rer. pol.) studied computer science, business management and business information systems at the universities of Kaiserslautern, Windsor (Canada) and Bamberg, completing his studies with a doctorate (Dr. rer. pol.). From 1993 to 1999 he held various posts at Boston Consulting Group, Düsseldorf, in the fields of strategic IT management in the banking and insurance sector. He joined the Baloise Group at the start of 1999, serving as head of IT at Baloise Switzerland and responsible for major cross-division insurance and finance projects within the Baloise Group. Since 2003 he has served on the Corporate Executive Committee with responsibility for the Switzerland division. Martin Strobel serves on the Board of the Swiss Insurance Association (SIA) and on the Board of Prevo-System AG, Basel.

Martin Wenk (1957, Swiss, lic. iur.) studied law at the University of Basel, graduating with a lic. iur. degree. From 1982 to 1992 he worked for a major bank, where he occupied a number of posts: after initially working as an investment advisor to institutional clients, he went on to head a private banking group in New York and then became a sector head in securities sales, where he primarily attended to the needs of major institutionals. During this period, he attended further training courses in Switzerland and the United States. From 1992 to 2000 he headed Portfolio Management Switzerland at the Baloise Group. Here he was responsible for managing the assets of various Baloise Group companies in Switzerland and abroad, including the pension funds. In 2001 he was appointed as a member of the Corporate Executive Committee, responsible for the Asset Management division comprising the Investment Strategy and Investment Controlling, Baloise Asset Management, Real Estate and Baloise Fund Invest units. Martin Wenk is Chairman of the Investment Commission of the Swiss Insurance Association SIA and serves on the boards of Unigestion Holding, Geneva and HW Finanz AG, Pratteln.

Further information on the members of the Corporate Executive Committee is available on the Internet.

With the exception of Martin Strobel and Martin Wenk, the members of the Corporate Executive Committee do not serve on the boards of companies outside the Baloise Group.

There are no management contracts assigning management duties to third parties.

■ www.baloise.com → Profile → Organization → Corporate Executive Committee

5. Compensation, shareholdings, loans

Compensation for most of the operating management team consists of a base salary and an incentive based on the attainment of corporate and individual goals.

Corporate policy on insider trading and management transactions was updated during the year under review, incorporating a strong recommendation not to trade in the company's own shares, and especially not in derivatives. Sale of shares from expired stock ownership plans during a designated window period is excepted. A total of only six management transactions subject to SWX disclosure took place during 2006.

The previous goal agreement system was replaced by an individual performance management process (IPM) in the year under review. Individual performance, and with it incentive pay, is based on attainment of personal goals and performance of personal tasks.

The new IPM process still allows for the assignment of higher-level goals. The Compensation Committee also has the option of considering corporate earnings with a correction factor of at least 0.8 and at most 1.3, to be multiplied by the individual performance result. (For example, if the incentive is CHF 20,000, the Compensation Committee may, considering corporate earnings, reduce this amount to as little as CHF 16,000 by applying a factor of 0.8 or increase it to as much as CHF 26,000 by applying a factor of 1.3.)

The following section is divided into three parts:

- Members of the Board of Directors (other than the Chairman),
- Chairman of the Board of Directors,
- Corporate Executive Committee.

Members of the Board of Directors

Members of the Board of Directors other than the Chairman receive a lump-sum cash emolument established by the Board's Compensation Committee. Since 2006, 25% of directors' annual fees have been paid in shares with a vesting period of three years. As is the case for direct share subscriptions by management, the members of the Board of Directors receive a discount of 10% from the market price.

The 2006 figures subject to disclosure under the applicable directive are as follows for the nine non-executive members of the Board of Directors:

Cash compensation	CHF	1,020,000
Shares granted	CHF	340,000
Options granted		-/-
Additional fees and remuneration		-/-
Total compensation	CHF	1,360,000

Shareholdings and options

Shareholdings	Registered shares	61,570
---------------	-------------------	--------

Loans to members of governing bodies¹

Mortgages and policy loans	(1 Person) CHF	650,000
----------------------------	----------------	---------

¹ Mortgages are granted at employee terms (1% below the client interest rate for variable-rate mortgages; preferential interest for fixed-rate mortgages). There are no policy loans.

Chairman of the Board of Directors and Corporate Executive Committee

The Compensation Committee of the Board of Directors establishes the amount and type of compensation for the Chairman of the Board of Directors and members of the Corporate Executive Committee. Compensation is composed of a base salary plus an incentive of up to 70% of the base salary (increased from two-thirds of the base salary the previous year) based on attainment of corporate and individual goals. The new target incentive is 54%, which can be increased up to 70% through outperformance. The Compensation Committee also has the option of considering corporate earnings, applying a correction factor of at least 0.8 and at most 1.3.

50% of the incentive must be drawn in stock. The corporate goals are developed in a multi-stage process and approved by the Compensation Committee for the following year. The individual goals are closely related to the accountabilities of each member of the Corporate Executive Committee. They are established jointly with the individual's supervisor and likewise approved by the Compensation Committee. Two forms of share-based compensation are available to all individuals eligible for an incentive:

1. The shares may be subscribed directly at a preferential price 10% below the current market price.

2. The subscription is associated with a loan which leverages the effect of the share subscription. Repayment of the loan upon elapse of a three-year vesting period is hedged by a put option financed by the sale of a call option. Once the vesting period elapses, the employee may freely dispose of the shares remaining after repayment of the loan.

Chairman of the Board of Directors: Dr. Rolf Schäuble

Cash compensation	CHF	2,194,412
Shares granted	CHF	783,385
Options granted		-/-
Additional fees and remuneration		-/-
Total compensation	CHF	2,977,797

Shareholdings and options

Shareholdings	Registered shares	47,384
---------------	-------------------	--------

Loans to members of governing bodies¹

Mortgages and policy loans		-/-
----------------------------	--	-----

¹ Mortgages are granted at employee terms (1% below the client interest rate for variable-rate mortgages; preferential interest for fixed-rate mortgages). There are no policy loans.

Members of the Corporate Executive Committee

The 2006 figures subject to disclosure under the applicable directive are as follows for the four members of the Corporate Executive Committee:

Cash compensation	CHF	3,639,708
Shares granted	CHF	1,835,767
Options granted		-/-
Additional fees and remuneration		-/-
Total compensation	CHF	5,475,475

Shareholdings and options

Shareholdings	Registered shares	220,747
---------------	-------------------	---------

Loans to members of governing bodies¹

Mortgages and policy loans	(1 Person) CHF	1,000,000
----------------------------	----------------	-----------

¹ Mortgages are granted at employee terms (1% below the client interest rate for variable-rate mortgages; preferential interest for fixed-rate mortgages). There are no policy loans.

CHF 433,334 was disbursed to a former member of the Corporate Executive Committee for incentive payments and pay continuation.

6. Shareholders' participation rights

Voting rights

Baloise share capital consists solely of registered shares. There are no shares with preferred voting rights. In order to maintain a broad shareholder base and protect minority shareholders, no shareholder is registered with more than 2% of voting rights, regardless of the number of shares held. The Board of Directors may approve exceptions to this rule by a two-thirds majority of all members (Art. 5 Articles of Incorporation). There are currently no exceptions.

Each share conveys a right to one vote. In exercising voting rights, no shareholder may directly or indirectly combine his own and proxy votes for a total of more than one-fifth of the shares entitled to vote at the Annual General Meeting. Each shareholder may assign the exercise of his voting right to another shareholder by a written proxy (Art. 16 Articles of Incorporation).

■ www.baloise.com → Profile → Corporate governance → Rules and regulations

Statutory quorums

The Annual General Meeting has a quorum regardless of the number of shareholders and proxy votes present, subject to the obligatory cases prescribed by law (Art. 17 Articles of Incorporation).

Waiver of statutory voting rights limitations requires the consent of at least three-fourths of the votes represented at the Annual General Meeting, which must also comprise at least one-third of all shares issued by the Company. The same qualified majority applies likewise in the other cases specified in Art. 17 (3) a–h Articles of Incorporation. In other cases, resolutions are adopted by a simple majority of shares voted (Art. 17 Articles of Incorporation), subject to mandatory provisions of law.

■ www.baloise.com → Profile → Corporate governance → Rules and regulations

Convocation of the Annual General Meeting

The Annual General Meeting is generally held in April, but no later than six months after the end of the fiscal year. The Baloise-Holding fiscal year ends on December 31. The General Meeting is convoked at least 20 days before the assembly date. Each registered shareholder receives a personal invitation with agenda. The invitation and agenda are published in the Schweizerisches Handelsamtsblatt, in various newspapers and on the Internet. Extraordinary General Meetings are convoked by resolution of the Annual General Meeting, the Board of Directors or the external auditors. An extraordinary General Meeting must also be convoked by the Board of Directors, in accordance with applicable law, at the request of shareholders (Art. 11 Articles of Incorporation). Pursuant to Art. 699 (3) Swiss Code of Obligations, these shareholders must represent at least 10% of the share capital.

■ www.baloise.com → Profile → Corporate governance → Rules and regulations

Agenda items

Pursuant to Art. 699 (3) Swiss Code of Obligations, one or more shareholders who together represent shares with a par value of at least CHF 100,000 may apply for items to be placed on the agenda. Such application must be submitted to the Board of Directors in writing with an indication of the matters to be brought before the General Meeting no later than six weeks before the regular Annual General Meeting (Art. 14 Articles of Incorporation).

■ www.baloise.com → Profile → Corporate governance → Rules and regulations

Entry in the share register

All shareholders who are entered in the share register as a shareholder with voting right as at the cut-off date (a few days prior to the Annual General Meeting) specified by the Board of Directors in the letter of invitation are entitled to vote at the Annual General Meeting (§16 of the Articles of Incorporation).

Admissibility of nominee registrations, along with an indication of percent clauses, if any, and registration requirements are governed by Art. 5 of the Articles of Incorporation. Procedures and requirements for prohibition or restriction of transferability are governed by the provisions of Art. 5 and Art. 17.

■ www.baloise.com → Profile → Corporate governance → Rules and regulations

7. Changes of control and defense measures

Shareholders or groups of shareholders acting in collusion have an obligation, upon acquiring 33% of all Baloise shares, to tender a takeover offer to all remaining shareholders. The Baloise has not opted to modify or waive this rule. There is neither a statutory opting-out nor an opting-up clause as specified in the Federal Act on Stock Exchanges and Securities Trading (SESTA).

There are agreements with the members of the Corporate Executive Committee and other senior managers which, in the event of termination by the employer (or under certain circumstances by the employee) within a certain period after a change of control, will trigger a severance benefit. The amount of these benefits is within the customary range for the market.

8. Auditors

PricewaterhouseCoopers (PwC) and its predecessor Schweizerische Treuhandgesellschaft/STG-Coopers & Lybrand have been the Baloise's external auditors since 1962, elected annually by the Annual General Meeting. Peter Lüssi has performed auditing functions for the Baloise since 1999 and has served as Lead Auditor since 2002. Based on the applicable regulations to safeguard the independence of external auditors, Mr Martin Frei has been appointed lead auditor starting from fiscal 2007.

PwC has been the external auditor of practically all Group companies since 2005.

PricewaterhouseCoopers fees	2005	2006
Auditing fees	5,358,000	5,723,000
Fees for audit-related activities	238,000	313,000
Consulting fees	1,076,000	1,313,000
Total	6,672,000	7,349,000

in CHF (rounded to thousands)

The Baloise has an Audit Committee made up of independent members qualified in finance and accounting. The Audit Committee met five times during the year under review, with the external auditors in attendance each time. At these meetings the Audit Committee received exhaustive documentation on findings of the external auditors, especially in relation to discussion of the annual and semi-annual financial statements. The Audit Committee assesses the performance of the external auditors and their collaboration with the Internal Audit group, Risk Management and Compliance. In particular, it discusses their audit work and reports with the external auditors along with the material results and the most important issues arising during the audit process.

Before the start of the annual audit, the Audit Committee reviews the scope of the examination and proposes areas warranting special attention. The Audit Committee thereupon investigates the independence of the external auditors. It proposes external auditors to the Board of Directors for election by the Annual General Meeting and makes recommendations concerning the auditors' fees. The Audit Committee reviews the external auditors' fees annually. The Audit Committee reviews the usefulness of the external auditors' services not performed in connection with their auditing activities. There is a written directive stipulating that material services not related to auditing activities require prior approval by the Internal Audit unit.

9. Information policy

Information principles

The Baloise Group regularly and openly provides comprehensive information to shareholders, potential investors, employees, clients and the general public. All registered shareholders receive Annual and Semi-Annual Reports providing commentary on the course of business. The Financial Report is sent to shareholders on request. All publications are made available to all shareholders simultaneously. All investors enjoy equal information rights. We use technologies such as webcasting and teleconferencing to open our meetings with financial analysts to the general public.

Information events

The Baloise provides comprehensive information on its business activities at

- Media conferences: Earnings are presented and goals, strategies and business activities are explained at media conferences (annual and half-year media conferences).
- Financial analyst meetings: Financial analyst meetings take place at the close of each year and half-year, with a parallel webcast and teleconference. The events can be downloaded afterwards from the Internet.
- Annual General Meetings: Shareholders are given information on the course of business at the Annual General Meeting. Speeches given at the Annual General Meeting are published on the Internet.
- Road shows: Regular road shows are held at various financial centers.
- Investor conferences: Key business and strategy topics are reviewed in depth.
- Individual meetings with analysts, investors and media representatives: Relations with analysts, investors and the media are cultivated on an ongoing basis.

All information on the Baloise events can be found at www.baloise.com.

Information on Baloise shares

Information on the Baloise's shares can be found on page 12 of the Annual Report.

- www.baloise.com → Investor relations → Baloise share

Financial calendar

Important dates for investors, including publication dates of the annual and semi-annual financial statements, are available on the Internet. The date and invitation to the Annual General Meeting, date of closure of the share register and ex-dividend date if any are also published.

- www.baloise.com → Investor relations → IR agenda

Available documents

Media releases, disclosures, presentations, Annual Reports, Financial Reports, Semi-Annual Reports and further documents are available to the public on the Internet. All documents are available from the Investor Relations department or can be downloaded from the Internet.

- www.baloise.com → Media → Media kit

Contacts

Investor Relations

Carsten Stolz
 Head of Financial Relations
 Aeschengraben 21
 4002 Basel
 Phone +41 61 285 83 65
 Fax +41 61 285 75 62
 E-mail carsten.stolz@baloise.com

Corporate Governance

Thomas Sieber
 Secretary to the Board of Directors
 Head of Legal, Tax and Compliance
 Aeschengraben 21
 4002 Basel
 Phone +41 61 285 86 48
 Fax +41 61 285 91 90
 E-mail thomas.sieber@baloise.com
www.baloise.com

TOP LINKS

- www.baloise.com → Profile →
 → Corporate governance
 → Organization

- www.baloise.com → Investor Relations →
 → Baloise share → Share buyback programm
 → Bonds
 → IR agenda
 → Presentations

- www.baloise.com → Media →
 → Calendar
 → Media kit





BOARD OF DIRECTORS AND MANAGEMENT STRUCTURE

Board of Directors	60
Management structure	61

Board of Directors

Members

Rolf Schäuble, Chairman, Lenzburg
Georg F. Kraye, Vice-Chairman, Basel
Christoph J. C. Albrecht, Basel
Andreas Burckhardt, Basel
Hansjörg Frei, Mönchaltorf
Gertrud Höhler, Berlin
Klaus Jenny, Zürich
Werner Kummer, Küssnacht
Arend Oetker, Berlin
Eveline Saupper, Pfäffikon SZ

Secretary to the Board of Directors

Thomas Sieber, Rheinfelden

Internal Audit

Erich Benischke, Basel

Auditors

PricewaterhouseCoopers AG, Basel

Board committees

Chairman's Committee

Rolf Schäuble, Chairman
Georg F. Kraye, Vice-Chairman
Hansjörg Frei
Klaus Jenny

Audit Committee

Werner Kummer, Chairman
Christoph J. C. Albrecht, Vice-Chairman
Andreas Burckhardt
Hansjörg Frei

Compensation Committee

Georg F. Kraye, Chairman
Klaus Jenny, Vice-Chairman
Gertrud Höhler
Eveline Saupper

Investment Committee

Rolf Schäuble, Chairman
Georg F. Kraye, Vice-Chairman
Hansjörg Frei
Klaus Jenny

Management structure



CEO

Frank Schnewlin*

Group/Regional Performance Management
Annemarie D'Hulster / Martin Kampik

Corporate Secretary
Markus von Escher

Legal, Tax and Compliance
Thomas Sieber

Corporate Communications
Thomas Kähr

Corporate Human Resources
Markus Jordi



Switzerland

Martin Strobel*



International

Frank Schnewlin*



Finance

German Egloff*



Asset Management

Martin Wenk*

Private and Corporate Customers

Franz J. Kaltenbach

Deutscher Ring Germany

Wolfgang Fauter

Financial Accounting

Michael Müller

Investment Strategy and Investment Controlling

Bernhard Casar

Baloise Bank SoBa

Alois Müller

Basler Germany

Frank Grund

Financial Management

Stefan Nölker

Baloise Asset Management

Reto Diezi

Sales and Marketing

Daniel Fluri

Baloise Luxembourg

André Bredimus

Financial Relations

Carsten Stolz

Baloise Fund Invest

Robert Antonietti

Information Systems and Logistics

René Güttinger

Basler Austria and Croatia

Lothar Mayrhofer

Corporate Development

Thomas Wodrich

Real Estate

Urs Degen

Accounting/Controlling

Urs Bienz

Mercator Belgium

Jan De Meulder

Run-Off

Bruno Rappo

* Member of the Corporate Executive Committee





MANAGEMENT INFORMATION

Consolidated income statement	64
Consolidated balance sheet	66
Business volume, premiums and combined ratio	67
Technical income statement	68
Gross premiums by line of business	69
Embedded value	70
Banking business	72
Investment performance	73

BÂLOISE-HOLDING

Income statement	77
Balance sheet	78
Notes	79

Consolidated income statement

Five-year review (restated from 2004)

	2002	2003	2004	2005	2006
Income					
Premiums earned and policy fees (gross) ¹	7,249.0	7,371.1	6,936.0	6,835.1	6,706.6
Reinsurance premiums ceded	-203.0	-256.4	-211.2	-197.3	-187.5
Premiums earned and policy fees for own account	7,046.0	7,114.7	6,724.8	6,637.8	6,519.1
Investment income	2,021.9	2,063.8	1,862.1	1,794.5	1,823.7
Realized gains and losses on investments ²	-793.2	-32.7	265.2	549.4	702.8
Income from services rendered	300.9	319.0	312.2	211.9	286.4
Results from investments in associates	53.5	26.4	3.7	35.5	62.0
Other operating income	191.5	157.7	137.1	74.3	144.3
Income	8,820.6	9,648.9	9,305.1	9,303.4	9,538.3
Expense					
Claims and benefits paid (gross)	-4,773.1	-5,561.3	-5,418.4	-5,772.1	-5,325.0
Change in technical reserves (gross)	-2,358.2	-1,645.4	-1,251.4	-1,094.6	-1,080.8
Share of reinsurance in losses incurred	58.2	78.7	51.6	189.7	43.4
Acquisition costs	-461.8	-277.1	-475.3	-524.8	-493.8
Operating and administrative expenses for insurance business	-740.3	-835.6	-806.4	-815.1	-847.8
Investment expenses	-67.1	-75.9	-75.9	-88.1	-93.9
Interest expenses on insurance liabilities	-111.7	-98.9	-90.1	-78.5	-67.0
Expense from financial contracts	-334.2	-296.4	-248.9	-130.0	-156.5
Other operating expenses	-703.2	-671.1	-612.9	-460.6	-575.5
Expense	-9,491.4	-9,383.0	-8,927.7	-8,774.1	-8,596.9
Borrowing costs	-43.5	-42.2	-52.6	-53.4	-28.2
Profit / loss before taxes	-714.3	223.7	324.8	475.9	913.2
Income taxes	82.7	-125.4	-101.5	-72.4	-206.1
Profit / loss for the period	-631.6	98.3	223.3	403.5	707.1
Attributable to:					
Shareholders	-634.5	91.4	210.0	395.8	699.4
Minority interests	2.9	6.9	13.3	7.7	7.7
in CHF million					
Earnings / loss per share					
Diluted	-11.6	1.7	3.9	7.3	12.9
Basic	-11.6	1.7	3.9	7.3	12.9
in CHF					

Additional information	2002	2003	2004	2005	2006
Gross premiums written and policy fees	7,274.5	7,374.7	6,941.3	6,839.1	6,716.5
Investment-type premiums	253.0	261.0	443.0	554.4	774.7
Gross premiums, policy fees and investment-type premiums	7,527.5	7,635.7	7,384.3	7,393.5	7,491.2
in CHF million					
Assets for the account and the risk of life insurance policyholders in CHF million	550.5	798.2	1,143.6	2,245.8	2,976.6
Combined ratio (gross) ³	105.2	97.6	93.0	100.6	90.2
Reserve ratio nonlife	181.1	177.4	179.6	187.0	194.8

in percent

¹ In accordance with the accounting policies of the Baloise Group, investment-type premiums are not included in premiums earned and policy fees.

² Including financial liabilities held for trading (derivative financial instruments).

³ After 2005, excluding legally required interest on annuity reserves.

Consolidated balance sheet

Five-year review (restated from 2004)

Assets

	2002	2003	2004	2005	2006
Property, plant and equipment	705.5	696.8	647.5	626.3	638.3
Intangible assets	958.0	1,091.0	1,223.1	1,357.2	1,357.5
Investments in associates	302.3	241.0	152.6	174.7	175.0
Investment properties	5,305.7	5,653.4	5,619.2	5,581.7	5,312.6
Financial assets of an equity nature	7,175.7	5,413.7	6,757.4	9,839.0	10,902.3
Financial assets of a debt nature	24,899.1	32,367.0	23,208.8	22,915.1	24,523.3
Mortgages and loans	12,052.4	12,459.1	16,995.5	17,635.5	17,801.6
Derivative financial instruments	212.8	292.9	264.9	48.6	75.8
Other assets / receivables	4,093.0	4,484.1	2,516.9	2,652.3	2,478.8
Deferred tax assets ¹	529.9	905.9	999.7	34.5	25.8
Cash and cash equivalents	679.4	695.9	698.0	450.2	741.5
Total assets	56,913.8	64,300.8	59,083.6	61,315.1	64,032.5

in CHF million

Liabilities and equity

	2002	2003	2004	2005	2006
Equity					
Equity before minority interests	3,088.1	3,319.8	3,433.9	4,330.4	4,921.9
Minority interests	28.0	40.7	63.9	60.9	64.6
Total equity	3,116.1	3,360.5	3,497.8	4,391.3	4,986.5
Liabilities					
Technical reserves (gross)	38,921.0	43,521.2	42,825.8	44,915.9	46,521.8
Liabilities from the banking business and financial contracts	8,393.5	9,904.1	5,493.9	6,062.5	6,744.0
Derivative financial instruments	87.0	252.4	160.3	243.4	44.6
Accrued and other liabilities	5,184.7	5,621.8	5,395.7	4,965.1	4,929.3
Deferred tax liabilities ¹	1,211.5	1,640.8	1,710.1	736.9	806.3
Total liabilities	53,797.7	60,940.3	55,585.8	56,923.8	59,046.0
Total equity and liabilities	56,913.8	64,300.8	59,083.6	61,315.1	64,032.5

in CHF million

¹ From 2005 on deferred tax assets and liabilities have been netted against one another provided the conditions for offsetting according to IFRS are fulfilled.

Business volume, premiums and combined ratio

Business volume 2005	Group	Switzerland	Germany			Benelux			Other countries		
			Basler Securitas	Deutscher Ring	Total	Belgium	Luxem- bourg	Total	Austria	Other ²	Total
Nonlife	3,055.4	1,286.9	835.0	213.6	1,048.6	539.8	43.0	582.8	91.6	45.5	137.1
Life	3,783.7	2,532.4	222.7	838.8	1,061.5	118.3	35.2	153.5	36.3	-/-	36.3
Subtotal of IFRS gross premiums written ¹	6,839.1	3,819.3	1,057.7	1,052.4	2,110.1	658.1	78.2	736.3	127.9	45.5	173.4
Investment-type premiums	554.4	45.7	1.8	143.4	145.2	99.5	264.0	363.5	-/-	-/-	0.0
Total business volume	7,393.5	3,865.0	1,059.5	1,195.8	2,255.3	757.6	342.2	1,099.8	127.9	45.5	173.4

in CHF million

Business volume 2006	Group	Switzerland	Germany			Benelux			Other countries		
			Basler Securitas	Deutscher Ring	Total	Belgium	Luxem- bourg	Total	Austria	Other ²	Total
Nonlife	3,065.1	1,280.5	842.4	214.6	1,057.0	541.7	47.9	589.6	97.9	40.1	138.0
Life	3,651.4	2,413.8	221.7	814.5	1,036.2	118.5	43.3	161.8	39.6	-/-	39.6
Subtotal of IFRS gross premiums written ¹	6,716.5	3,694.3	1,064.1	1,029.1	2,093.2	660.2	91.2	751.4	137.5	40.1	177.6
Investment-type premiums	774.7	36.1	3.3	208.8	212.1	78.5	444.0	522.5	4.0	-/-	4.0
Total business volume	7,491.2	3,730.4	1,067.4	1,237.9	2,305.3	738.7	535.2	1,273.9	141.5	40.1	181.6

in CHF million

Combined ratio (gross), nonlife, 2005 ³	Group	Switzerland	Germany			Benelux			Other countries		
			Basler Securitas	Deutscher Ring	Total	Belgium	Luxem- bourg	Total	Austria	Other ²	Total
Loss ratio	70.5	88.4	63.9	37.8	58.6	61.9	47.4	60.8	64.7	-11.3	39.2
Cost ratio	29.7	24.1	29.7	56.7	35.2	32.2	39.4	32.7	39.0	16.5	31.4
Surplus sharing ratio	0.4	0.8	0.3	-/-	0.2	0.0	-/-	0.0	-/-	-1.0	-0.3
Combined ratio	100.6	113.3	93.9	94.5	94.0	94.1	86.8	93.5	103.7	4.2	70.3

as a percentage of premiums earned

Combined ratio (gross), nonlife, 2006 ³	Group	Switzerland	Germany			Benelux			Other countries		
			Basler Securitas	Deutscher Ring	Total	Belgium	Luxem- bourg	Total	Austria	Other ²	Total
Loss ratio	59.4	62.0	61.8	41.3	57.7	59.2	51.1	58.6	59.2	47.4	55.8
Cost ratio	30.1	24.5	30.3	53.1	34.9	33.5	38.5	33.8	40.5	16.8	33.6
Surplus sharing ratio	0.7	1.3	0.5	-/-	0.4	0.0	0.1	0.0	-/-	1.3	0.4
Combined ratio	90.2	87.8	92.6	94.4	93.0	92.7	89.7	92.4	99.7	65.5	89.8

as a percentage of premiums earned

Combined ratio (net), nonlife ³	Gross		Net	
	2005	2006	2005	2006
Loss ratio	70.5	59.4	68.3	61.6
Cost ratio	29.7	30.1	31.3	31.6
Surplus sharing ratio	0.4	0.7	0.4	0.8
Combined ratio	100.6	90.2	100.0	94.0

as a percentage of premiums earned

Reserve ratio nonlife	2005	2006
Technical reserve for own account	5,401.7	5,624.0
Premiums written and policy fees for own account	2,888.9	2,886.6
Reserve ratio in percent	187.0	194.8

in CHF million

¹ Premiums written and policy fees (gross).² Group business, run-off.³ Excluding legally required interest on annuity reserves.

Technical income statement

		Nonlife		Life	
Gross	2005	2006	2005	2006	
Gross premiums written and policy fees	3,055.4	3,065.1	3,783.7	3,651.4	
Changes in unearned premiums	-4.0	-9.9	-/-	-/-	
Premiums earned and policy fees (gross)	3,051.4	3,055.2	3,783.7	3,651.4	
Claims and benefits paid (gross)	-1,847.4	-1,801.9	-3,924.7	-3,523.1	
Change in technical reserves (gross)					
Change in loss reserves / actuarial reserves ¹	-333.4	-42.3	-462.9	-585.6	
Policyholders' dividends incurred	-11.4	-21.4	-286.8	-431.6	
Technical costs	-912.8	-925.2	-524.3	-508.1	
Total underwriting result (gross)	-53.6	264.4	-1,415.0	-1,397.0	
Reinsurance ceded					
Reinsurance premiums ceded	-183.5	-167.7	-13.8	-19.8	
Claims and benefits paid	60.0	132.6	63.9	6.2	
Reinsurance share in loss paid	131.8	-97.8	-66.3	1.6	
Policyholders' dividends incurred	-0.1	0.1	0.3	0.8	
Technical costs	10.1	9.0	16.4	3.9	
Total underwriting result of business ceded	18.3	-123.8	0.5	-7.3	
For own account					
Premiums earned and policy fees	2,867.9	2,887.5	3,769.9	3,631.6	
Claims and benefits paid	-1,787.4	-1,669.3	-3,860.8	-3,516.9	
Change in loss reserves / actuarial reserves ¹	-201.6	-140.1	-529.2	-584.0	
Policyholders' dividends incurred	-11.5	-21.3	-286.5	-430.8	
Technical costs	-902.7	-916.2	-507.9	-504.2	
Total underwriting result for own account	-35.3	140.6	-1,414.5	-1,404.3	
Investment income (gross)	282.8	296.6	1,350.7	1,368.2	
Realized capital gains and losses on investments ²	65.3	121.6	428.6	474.3	
Investment expenses	-19.5	-19.8	-68.3	-73.6	
Other financial income and expenses	-38.2	3.2	-147.3	-118.4	
Investment result	290.4	401.6	1,563.7	1,650.5	
Borrowing costs	-/-	-/-	-/-	-/-	
Profit before taxes	255.1	542.2	149.2	246.2	
Income taxes	-10.8	-92.4	-23.3	-80.1	
Profit / loss for the period	244.3	449.8	125.9	166.1	

in CHF million

¹ Including change in claim processing cost provisions.² Including financial liabilities held for trading (derivative financial instruments).

Gross premiums by line of business

Nonlife	2005	2006	+/- %
Accident	435.6	444.8	2.1
Health	110.3	107.4	-2.6
General liability	328.9	340.8	3.6
Transport	1,010.3	1,002.1	-0.8
Marine	148.9	148.0	-0.6
Property	917.3	926.1	1.0
Miscellaneous	41.5	42.3	1.9
Reinsurance assumed	62.6	53.6	-14.4
Gross premiums written – nonlife	3,055.4	3,065.1	0.3

in CHF million

Life	2005	2006	+/- %
Single premiums	1,637.8	1,697.5	3.6
Recurring premiums	2,700.3	2,728.5	1.0
Investment-type premiums	-554.4	-774.6	39.7
Gross premiums written – life	3,783.7	3,651.4	-3.5

in CHF million

Embedded value

Development of embedded value	2005	2006
Embedded value at January 1	2,136.8	2,359.7
Operating profit from insurance business in force and adjusted equity and profit from new business	206.3	134.7
Economic changes, including changes in unrealized gains and losses on investments (equities and properties)	14.1	178.1
Dividends and capital movements	0.0	-60.2
Exchange differences	2.5	15.4
Embedded value at December 31	2,359.7	2,627.8
of which: value of insurance business in force	1'072.9	1,096.2
of which: adjusted equity	1'761.9	2,011.1
of which: cost of solvency	-475.1	-479.6
in CHF million; all figures after taxes		
New business	2005	2006
Value new business in CHF million	12.0	15.9
APE ¹ in CHF million	225.4	217.2
Sensitivity of new business value to risk discount rate (+/- 1.0%)	-47.1 / +54.6	-31.9 / +33.9
Ratio new business value to APE	5.3	7.3
in percent		
Sensitivities	2005	2006
+/- 1% change in risk discount rate	-6.3 / +7.3	-6.3 / +7.2
+/- 10% change in market value of equities	+6.3 / -6.3	+6.3 / -6.3
+/- 10% change in market value of properties	+5.1 / -5.1	+4.5 / -4.5
+/- 0.5% change in new money rate	+4.5 / -4.9	+3.8 / -4.1
in percent		

¹ Annual premium equivalent = 100% annual premium of new business + 10% single premium.

The embedded value of the life insurance business consists of three elements: the adjusted net asset value of the life insurance activities, the value of insurance business in force and the cost of solvency capital. Embedded value does not take into account any new business that will be written in the future.

The adjusted net asset value is based on the market value of investments and the statutory value of liabilities from insurance operations. The unrealized gains and losses on investments (equities and properties), which can be subject to significant fluctuations, represent a significant part of the adjusted net asset value. For the life operations of Luxembourg, Austria and Croatia as well as for the German

company Deutscher PensionsRing the embedded value consists only of the shareholders' equity in accordance with IFRS.

The value of insurance business in force corresponds to the earnings generated by the insurance portfolio in the future. These earnings are obtained by discounting expected future cash flows arising from the existing insurance contracts. A large number of assumptions need to be made to calculate this value, the most important of which are listed in the table below.

The cost of solvency is the charge for the cost of capital supporting the solvency requirements of the business.

Geographic breakdown of embedded value	2005	2006
Switzerland	1,974.2	2,242.0
of which: value of insurance business in force	872.9	861.7
of which: adjusted equity	1'474.0	1,756.5
of which: cost of solvency	-372.7	-376.2
EU	445.5	451.4
of which: value of insurance business in force	200.0	234.5
of which: adjusted equity	347.9	320.3
of which: cost of solvency	-102.4	-103.4
Consolidation	-60.0	-65.7
Embedded value at December 31	2,359.7	2,627.8

in CHF million; all figures after taxes

New business	2005	2006
New business margin Switzerland in percent	6.5	10.2
Value of new business in CHF million	7.6	10.9
APE in CHF million	117.8	106.4
New business margin EU in percent	4.1	4.5
Value of new business in CHF million	4.4	5.0
APE in CHF million	107.7	110.8

Assumptions in percent	2005	2006
Group		
Risk discount rate	7.6	7.6
Bond yield	2.7–2.9	2.85–2.85
Share return	7.2	7.2
Property return	4.8	4.8
Switzerland		
Risk discount rate	7.5	7.5
Bond yield	2.5–2.7	2.65–2.65
Share return	7.0	7.0
Property return	4.75	4.75
EU		
Risk discount rate	8.2	8.3
Bond yield	3.6–3.9	4.0–4.0
Share return	8.0	8.0
Property return	5.0	5.2

External review: Deloitte and Touche LLP have reviewed the choice of methodology together with the assumptions and calculations made by Baloise Group in the calculation of the embedded value results of its Life Business at December 31, 2006. Deloitte has reported to the Baloise Group that it considers that the methodology is appropriate, Baloise's assumptions are altogether reasonable and that the embedded value results as published above have been properly compiled on the basis of methodology and assumptions chosen. For the purpose of this report, Deloitte has performed certain checks on data provided by the Baloise Group, but has relied on financial information underlying the Group's financial statements.

Banking business

Results from banking business	2005	2006
Total interest income	176.6	181.5
Total interest expense	-77.9	-81.2
Net interest income	98.7	100.3
Result from commission business and services	53.2	69.2
Result from trading business	-2.1	-1.7
Other income	-1.9	3.1
Total income from banking business	147.9	170.9
Personnel expense	-49.7	-49.5
Operating expenses	-42.4	-48.1
Total expenses related to banking business	-92.1	-97.6
Gross profit / loss	55.8	73.3
Losses and value adjustments related to credit risks	31.7	-5.6
Amortization and depreciation on property, plant and equipment and on intangible assets	-10.5	-4.1
Profit / loss before tax and minority interests	77.0	63.6
Income taxes	-9.9	-12.3
Profit / loss for the period	67.1	51.3

in CHF million

Additional information	2005	2006
Assets managed for third parties	8,187.7	8,950.6
Risk-weighted-assets banking activities	3,449.7	3,443.7

in CHF million

Asset allocation	2005	2006
Fixed income securities	311.7	295.6
Shares	1.7	1.7
Derivative financial instruments	35.0	12.4
Alternative financial assets	-/-	-/-
Investment properties	3.3	0.0
Mortgages	4,808.5	4,909.0
Policy loans and other loans	297.4	270.7
Other short-term investments	111.0	130.5
Total	5,568.6	5,619.9

in CHF million

Investment performance

Investment performance 2005 (excluding unit-linked investments)

	Fixed-interest securities	Shares	Investment properties	Mortgages, policy loans and other loans	Alternative financial assets, derivatives and other	Total
Current investment income	692.7	113.4	253.1	694.7	40.6	1,794.5
Realized gains and losses and valuation changes charged to income (net)	159.0	362.8	-58.8	7.2	-116.4	353.8
Change in unrealized gains and losses in equity	-70.0	763.4	-/-	-/-	-99.6	593.8
Investment management costs	-34.3	-8.9	-12.1	-12.8	-20.0	-88.1
Operating profit	747.4	1,230.7	182.2	689.1	-195.4	2,654.0
Average level of investments	21,121.7	4,939.9	5,600.5	17,315.5	4,334.7	53,312.3
Performance in percent	3.5	24.9	3.3	4.0	-4.5	5.0

in CHF million

Investment performance 2006 (excluding unit-linked investments)

	Fixed-interest securities	Shares	Investment properties	Mortgages, policy loans and other loans	Alternative financial assets, derivatives and other	Total
Current investment income	715.4	139.9	231.1	683.3	54.0	1,823.7
Realized gains and losses and valuation changes charged to income (net)	70.9	462.6	80.5	-11.8	-34.7	567.5
Change in unrealized gains and losses in equity	-446.9	396.3	-/-	-/-	223.3	172.7
Investment management costs	-33.1	-8.6	-13.7	-12.2	-26.1	-93.7
Operating profit	306.3	990.2	297.9	659.3	216.5	2,470.2
Average level of investments	22,057.0	5,881.2	5,447.1	17,718.6	4,198.5	55,302.4
Performance in percent	1.4	16.8	5.5	3.7	5.2	4.5

in CHF million

Current investment income, insurance	2005			2006		
	Nonlife	Life	Total	Nonlife	Life	Total
Fixed income securities	136.3	541.1	677.4	152.6	552.2	704.8
Shares	23.1	83.1	106.2	29.6	109.6	139.2
Derivative financial instruments	-/-	-/-	-/-	-/-	-/-	0.0
Alternative financial assets	1.5	3.2	4.7	2.5	5.0	7.5
Investment properties	49.9	188.3	238.2	44.3	181.6	225.9
Mortgages	13.2	180.8	194.0	11.3	167.6	178.9
Policy loans and other loans	47.6	333.7	381.3	44.0	324.6	368.6
Other short-term investments	11.2	20.5	31.7	12.3	27.6	39.9
Total current investment income	282.8	1,350.7	1,633.5	296.6	1,368.2	1,664.8

in CHF million, excluding unit-linked investments

Realized gains and losses, insurance	2005			2006		
	Nonlife	Life	Total	Nonlife	Life	Total
Fixed income securities	39.7	119.6	159.3	-5.0	76.0	71.0
Shares	79.5	219.4	298.9	117.1	313.4	430.5
Derivative financial instruments	-33.5	-81.7	-115.2	-11.3	-109.8	-121.1
Alternative financial assets	7.6	23.9	31.5	15.7	69.7	85.4
Investment properties	-26.9	-30.9	-57.8	1.8	1.8	3.6
Mortgages	-1.5	-16.4	-17.9	-2.0	-2.8	-4.8
Policy loans and other loans	-1.0	1.3	0.3	3.4	4.5	7.9
Other short-term investments	1.4	-0.4	1.0	1.9	0.7	2.6
Total investment gains and losses	65.3	234.8	300.1	121.6	353.5	475.1

in CHF million, excluding unit-linked investments

Asset allocation, insurance	2005			2006		
	Nonlife	Life	Total	Nonlife	Life	Total
Fixed income securities	4,418.0	16,475.3	20,893.3	5,060.8	17,520.2	22,581.0
Shares	1,145.7	4,284.4	5,430.1	1,258.5	4,763.6	6,022.1
Derivative financial instruments	0.4	1.1	1.5	1.7	23.2	24.9
Alternative financial assets	341.1	1,754.9	2,096.0	356.7	1,819.6	2,176.3
Investment properties	959.0	4,275.7	5,234.7	942.3	4,203.2	5,145.5
Mortgages	355.4	4,669.2	5,024.6	371.3	4,661.1	5,032.4
Policy loans and other loans	973.0	7,562.1	8,535.1	973.3	7,324.8	8,298.1
Other short-term investments	676.0	802.3	1,478.3	417.2	1,044.1	1,461.3
Total	8,868.6	39,825.0	48,693.6	9,381.8	41,359.8	50,741.6

in CHF million, excluding unit-linked investments

Income statement: Bâloise-Holding

Income	4/1/05–12/31/05	1/1/06–12/31/06
Income from securities	6,651,261	154
Gains on securities	1,096,732	25,310,753
Income from participating interests	108,684,691	296,367,229
Interest on loans to Group companies	997,317	76,250
Income from financial assets	726,134	538,882
Other interest receivable	2,817,633	4,504,038
Realized gains on noncurrent assets	2,118,235	–/–
Other income	52,012,799	1,981,336
Total income	175,104,802	328,778,642
Expense		
Administrative expense	–4,267,612	–3,742,074
Interest payable	–32,496,238	–27,145,016
Amortization of / losses from noncurrent assets	–/–	–30,000,000
Other expense	–188,698	–8,677,454
Total expense	–36,952,548	–69,564,544
Overall result		
Total income	175,104,802	328,778,642
Total expense	–36,952,548	–69,564,544
Profit before taxes	138,152,254	259,214,098
Taxes on income and capital	–240,296	–1,775,000
Profit for the period	137,911,958	257,439,098

in CHF

Balance sheet: Bâloise-Holding

Assets	Note	12/31/2005	12/31/2006
Cash and cash equivalents		3,534	165,255,888
Receivables from Group companies		118,675,178	60,000,000
Other receivables		3,895,912	302,023
Accruals		38,684,692	66,039,185
Securities		165,976,512	113,771,232
Current assets		327,235,828	405,368,328
Participating interests	2	1,446,104,075	1,416,104,075
Loans to Group companies	3	-/-	30,000,000
Financial assets		11,795,298	11,795,298
Noncurrent assets		1,457,899,373	1,457,899,373
Total assets		1,785,135,201	1,863,267,701

Liabilities and equity

Short-term liabilities		12,470	13,659,447
Payables to Group companies		113,350,509	34,246,220
Bonds	4	900,000,000	900,000,000
Provisions	5	688,250	9,081,676
Deferrals		14,297,882	13,730,900
Liabilities		1,028,349,111	970,718,243
Share capital		5,530,715	5,530,715
General reserve		11,724,001	11,724,001
Reserve for treasury shares	6	7,817,186	119,058,201
Unappropriated reserve		593,186,056	498,145,041
Retained earnings		138,528,132	258,091,500
Shareholders' equity		756,786,090	892,549,458
Total liabilities and equity		1,785,135,201	1,863,267,701

in CHF

Notes to the financial statements of Baloise-Holding

1. Basis of preparation

The Baloise-Holding accounts comply with Swiss legal requirements.

2. Participations

Company	Holding at	Holding at	Currency	Shares / holdings at
	3/31/2005	12/31/2006		12/31/2006
	in %	in %		in million
Basler, Versicherungs-Gesellschaft, Basel	100	100	CHF	75.0
Basler Lebens-Versicherungs-Gesellschaft, Basel	100	100	CHF	50.0
Baloise Bank SoBa, Solothurn	100	100	CHF	50.0
Baloise Asset Management Schweiz AG, Basel	100	100	CHF	1.5
Baloise Asset Management International AG, Basel	100	100	CHF	1.5
Haakon AG, Basel	75	75	CHF	0.2
Basler Versicherung Beteiligungsgesellschaft mbH, Hamburg	100	100	EUR	20.5
Baloise Beteiligungs-Holding GmbH, Bad Homburg	100	100	EUR	0.0
Baloise (Luxembourg) Holding S.A., Bertrange (Luxembourg)	100	100	CHF	229.0
Baloise Fund Invest Advico, Bertrange / Luxembourg	100	100	EUR	0.1
Baloise Insurance Co, (I.O.M), Ltd, Douglas / Isle of Man	100	100	CHF	31.2
Baloise Insurance Company (Bermuda) Ltd., Hamilton / Bermuda	100	100	CHF	5.0
Baloise Finance (Jersey) Ltd., St. Helier / Jersey	100	100	CHF	1.4

The holdings have been rounded to the nearest percent. Additional information about the participating interests of Baloise-Holding is given on pages 74 and 75.

3. Loans to Group companies

Baloise Bank SoBa was given a subordinated loan of CHF 30 million.

4. Bonds

Amount	Interes rate	Issued	Maturity date
CHF 300 million	3.25%	1998	4/7/2008
CHF 250 million	3.375%	2003	12/15/2009
CHF 350 million ¹	2.375%	2004	12/20/2010

¹ raised by CHF 100 million in 2005

5. Provisions

Fluctuation provision amounting to CHF 50 million was reversed in 2005 and taken to "Other income".

6. Treasury shares

Baloise Group companies purchased a total of 291,837 shares at an average price of CHF 91 (excluding share buybacks through the second trading line). They sold 337,837 shares during the year under review, also at an average price of CHF 91, and together held 95,560 Baloise-Holding shares as of December 31, 2006. Baloise-Holding also purchased 1,074,000 shares through a second trading line at an average price of CHF 106. These shares are included in the Securities item on the balance sheet.

The average purchase price including shares bought back through the second trading line is CHF 103.

Baloise-Holding's reserve for treasury shares was increased by CHF 111.2 million, charged against the general reserve, at December 31, 2006.

Shareholders	Total holding at 12/31/2005	Share of voting rights 12/31/2005	Total holding at 12/31/2006	Share of voting rights 12/31/2006
Chase Nominees Group ¹	5.5	2.0	10.5	2.0
Barclays Group	0.0	0.0	5.4	<2.0
Investors Bank & Trust ¹	2.6	2.0	3.5	0.0
Mellon Bank N. A. ¹	2.7	0.0	3.2	0.0
HSBC Overseas Nominee UK ¹	2.5	0.0	2.7	0.0
Nortrust Nominees Ltd. ¹	3.1	0.0	2.4	0.0
UBS Group	<2.0	<2.0	2.2	<2.0
Cominvest Asset Management	2.0	0.0	<2.0	<2.0

in percent

¹ Custodian Nominees who hold shares in trust for third parties are considered as belonging to the free float pursuant to the Swiss Exchange (SWX) regulations. Such shareholder groups are not subject to registration by stock exchange law.

7. Significant shareholders

One shareholder held over 5% of outstanding Baloise shares on December 31, 2006. This was Barclays Group with 5.4% of outstanding shares as of December 31, 2006.

As a widely-held public corporation, the Baloise is part of the Swiss Market Index (SMI) and is included in the SWX's index calculations with 100% of shares in free float.

The above table displays the current shareholder structure as of December 31, 2006.

8. Contingent liabilities

Guarantee liabilities amounted to CHF 214.9 million at December 31, 2006 (previous year: CHF 447.6 million). During the previous year CHF 204.0 for the guarantee of the convertible bond issued by Baloise Finance (Jersey) Ltd was written back; the bond was repaid during the year under review.

Baloise-Holding is jointly liable for value-added tax payable by all companies under the leadership of Basler Versicherungen subject to group taxation.

9. Income from participating interests

Dividend claims pursuant to resolutions of the Annual General Meetings of Baloise Fund Invest Advico, Luxembourg, February 8, 2007; of Baloise Finance (Jersey) Ltd., St. Helier (Jersey), February 15, 2007; of Baloise Asset Management Schweiz AG, Basel, Baloise Asset Management International AG, Basel and Haakon AG, Basel, February 22, 2007; and of Baloise Bank SoBa, Solothurn, March 8, 2007 (income from participating interests) for fiscal year 2006 are reported as accrued income (accruals).

10. Personnel expenses

Administrative expenses include CHF 1.5 million in personnel expenses for the year under review (previous year: CHF 1.3 million).

Proposed appropriation of retained earnings

	4/1/05–12/31/05	1/1/06–12/31/06
Profit for the period	137,911,958	257,439,098
Earnings carried forward	616,174	652,402
Retained earnings	138,528,132	258,091,500
Dividend in accordance with Articles of Incorporation	-276,536	-276,536
Available for distribution at General Meeting	138,251,596	257,814,964
Proposals by the Board of Directors		
Appropriation to unallocated reserve	-16,200,000	-47,300,000
Additional dividend	-121,399,194	-209,890,634
Retained earnings to be carried forward	652,402	624,330

in CHF

The above distribution is in accordance with the provisions of Article 30 of the Articles of Incorporation and results in a distribution of CHF 3.80 gross per share (CHF 2.47 after deduction of withholding tax).

Addresses

Switzerland

Basler Versicherungen
Aeschengraben 21
CH-4002 Basel
Phone +41 61 285 85 85
Fax +41 61 285 70 70
E-mail insurance@baloise.ch
www.baloise.ch

Baloise Bank SoBa
Amtshausplatz 4
CH-4502 Solothurn
Phone +41 32 626 02 02
Fax +41 32 623 36 92
E-mail bank@baloise.ch
www.baloise.ch

Germany

Basler Versicherungen
Basler Strasse 4
D-61281 Bad Homburg
Phone +49 61 7213 0
Fax +49 61 7213 200
E-mail info@basler.de
www.basler.de

Deutscher Ring
Unternehmensgruppe
Ludwig-Erhard-Strasse 22
D-20459 Hamburg
Phone +49 40 3599 7711
Fax +49 40 3599 2500
E-mail service@deutscherring.de
www.deutscherring.de

Austria

Basler Versicherungen
Brigittenauer Lände 50–54
A-1203 Vienna
Phone +43 1 33 160 0
Fax +43 1 33 160 200
E-mail office@basler.co.at
www.basler.co.at

Belgium

Mercator Verzekeringen
Desguinlei 100
B-2018 Antwerpen
Phone +32 3 247 21 11
Fax +32 3 247 27 77
E-mail info@mercator.be
www.mercator.be

Luxembourg

Baloise Assurances
Atrium Business Park
23, rue du Puits Romain
Bourmicht
L-8070 Bertrange
Phone +352 290 190 1
Fax +352 290 592
E-mail info@baloise.lu
www.baloise.lu

Croatia

Basler Osiguranje d.d.
Basler životno Osiguranje d.d.
Ulica grada Vukovara 269d/1
HR-10000 Zagreb
Phone +385 1 48 17 808
Fax +385 1 48 16 932
E-mail info@basler.hr
www.basler.hr

**Bâloise-Holding
Aeschengraben 21
CH-4002 Basel**

www.baloise.com